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TUESDAY FEBRUARY 9 1999

quences from this," Mr Lafon-

Even the CDU's allies attacked

the party strategy for inciting

ner, SPD general secretary in

Hesse, accused the Christian

Democrats of running a racist campaign in the state. He con-

ceded, however, that the opposi-

tion had picked up considerable

support in core Social Democrat

constituencies among the work-

political landscape by throwing

out the local SPD/Green party

Sunday's poll changed the

ing classes and unemployed.

xenophobia, and Ottmar Schrei-



internet stocks 'Most of the time I do not know what I am buying' Page 15



By Raiph Atkina and Frederick Stildemann in Bone

Germany's Social Democrat-led

government vesterday conceded

it might have to rethink plans to

overhaul the country's 86-year-

old nationality laws after losing

its majority in the country's sec-

· Oskar Lafontaine, SPD chairman and finance minister,

acknowledged that defeat in Sun-

day's state elections in Hesse,

central Germany, had followed a

strong campaign by the opposi-

tion Christian Democratic Union

against SPD plans to allow dual

nationality for many of the 7m

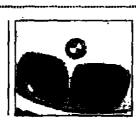
foreigners living in Germany.

We must now draw the conse-

ond chamber of parliament.

Ecology lobbying Greens turn their guns on the financiers **Environment, Page 12**

taine said.



Bonn may rethink nationality plans

SPD says poll loss could mean it changes its citizenship proposals

the national coalition, of their

majority in the Bundesrat, which

it more difficult to enact impor-

tant parts of its programme,

including reforms of corporate tax scheduled for next year and

yesterday faced calls from some

senior SPD figures to water down

government plans on citizenship

Gerhard Schröder, chancellor,

other pending tax measures.

of King Hussein to the royal

pemetery beside Amman's

Racheden Palace. Among the

mourners were princes, presidents

and prime ministers. Page 5 Reuters

The government will now find

represents federal states.

Perhaps size isn't everything islow

fundamental part of the party's

CDU's vote increase four percent-

age points to 43.4 per cent. Wolf-

gang Schäuble, party chairman,

defended the controversial cam-

paign against dual nationality

launched by the CDU, which dis-

putes government claims that

widespread "dual nationality" -

to be achieved by allowing for-

eigners to have two passports -

The Hesse election saw the

the two parties, which make up too far on the issue, which is a

programme.

The Business of Travel Millennium menu is simmering

centre". The party would use its Bundesrat influence to stop "red-

green arrogance" and was

looking for tax reforms that included a significant net give-

away, perhaps worth as much as

Although the SPD increased its

vote slightly, the Greens plunged four percentage points. The

Green party leadership acknowledged that the Hesse out-

come underscored a worrying

longer-term threat to the party. It

up the youth vote, which the CDU successfully mobilised in

DM20bn (\$11.6bh) a year.

Separate section

WORLD NEWS

France in plan for greater stability of exchange rates

France proposed a three-point system of "enhanced co-operation" within the Group of Seven leading industrial countries to promote greater exchange rate stability between the dollar, the euro and yen. Europe, Page 2

Deutsche in Holocaust meeting Rolf Breuer, chairman of Deutsche Bank, met the US lawyers suing his bank on behalf of Holocaust victims for the first time as officials prepare for talks to settle Holocaust compensation claims. Europe, Page 2

Clinton prosecutors' final appeal Republican prosecutors made a final appeal to the Senate to convict President Bill Clinton at his. impeachment trial and throw him out of office. US, Page 10

Ministers dispute reform project Europe's finance ministers expressed widespread differences as they began negotiating the Agenda 2000 project for reform of the European Union's finances and farm and regional policies. Europe, Page 2

Prospect of IMF loans for Turkey The International Monetary Fund held out the promise of loans for Turkey in exchange for a more ambitious anti-inflation strategy. Europe, Page 3

New leaders for French union group A younger, more pragmatic leadership has taken over the CGT. France's largest trades union confederation, with a commitment to cross-border bargaining in Europe, Europe, Page 3; Trade unions step up euro pressure, Page 11

Apprar takes stand at trial Anwar Ibrahim, the sacked deputy prime minister of Malaysia, finally took the stand to defend himself against charges of sexual misdeeds and related abuse of power, Asia-Pacific, Page 6

Gore launches drugs strategy US vice-president Al Gore outlined plan to reduce the US's drug problem. US, Page 10

Hitachi in probe over exports Hitachi Electronics; the precision instruments maker, is being investigated on suspicion of illegally exporting to China instruments that could be used to produce nuclear weapons. Asia-Pacific, Page 61

Dase to undate Polish fighters DaimlerChrysler Aerospace of Germany is to modernise 22 MIG-29 aircraft of the Polish air force, bringing them up to the standards of the Nato alliance. Trade, Page 4

Aid for poor nations at record low The amount industrial countries spent on development aid for poor nations fell to a record low in 1997. International, Page 5

Chavez in overhaul of security force Hugo Chávez, Venezuela's new president, launched an overhaul of the national security force in a move to tackle corruption. Latin America, Page 10

Novelist Dame Iris Murdoch dies Novelist and philosopher Dame irls Murdoch died in a nursing home in Oxford, central England aged 79. She had been suffering from Alzheimer's disease.

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STOCK MARKET INDICES

Europe and Fer East GAC40

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WORLD MARKETS

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BUSINESS NEWS

BMW shares rise on speculation of takeover moves

Shares in BMW rose sharply on speculation that the German carmaker could be the motor industry's next takeover target following the removal of Bernd Pischetsreider as chairman. Stock closed up more than 8 per cent at €726.49. Page 17

Nomura Securities, Japan's largest securities house, is imposing central control over operations in the US and Europe. Global bond trading, equity trading, investment banking and risk management will be controlled from Tokyo. Page 16, with Lex; Observer, Page 15

Leading software, internet and telecoms companies including Microsoft, Motorola, Cisco Systems, British Telecommunica-tions and Netscape unveiled deals underscoring the move towards wireless data services. Page 17; Lex, Page 16

Schering, the German pharmaceuticals group, suffered a sharp drop in sales in Japan and south-east Asia last year, but said a good performance in Europe and the US had made up the difference. European companies, Page 20

Petrobrás, Brazil's national oil company, has signed a jointventure agreement with a group of international oil companies opening the country's largest oil producing region to foreign investment. Page 17; Brazil's hangover, Page 10

Commerzbank, Germany's fourth largest commercial bank, is to make greater than expected risk provisions for last year, indicating that the nation's banking sector may not yet have recovered from world market turmoil. Page 17

atoma, the French nuclear construction and connectors company, has unveiled a reorganisation that may facilitate from the nuclear sector. European companies, Page 20

Yokohama Rubber is considering a strategic link with a non-Japanese company, believed to be Michelin of France, after last week's alliance between Goodvear and Sumitomo. Asia-Pacific companies, Page 21

Morgan Stanley Bean Witter, the US financial services company, is expected to acquire the Spanish securities house AB Asesores in a transaction thought to be worth \$300m-\$400m. European companies, Page 20

China has asked foreign aircraft manufacturers to postpone deliv eries for two years from 2000 in a blow for Boeing and Airbus. Page 16; China halts crude sales to Japan, Page 6

Metalloesellschaft, the German group, announced plans to acquire Gea, a company specialising in advanced machinery. European companies, Page 20



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Workers break back into Belgrade plant

By Guy Dinmore in Belgrade

Employees at a Belgrade pharmaceuticals company that was forcibly nationalised by the Serbian government at the weekend broke through police lines vesterday to get back into their work-

Many of them went on to sign a pledge of loyalty to ICN Pharmaceuticals, ICN Yugoslavia's for-

mer US-owned parent company. Diplomats said it was no coincidence that the government raided ICN Yugoslavia just as the Kosovo talks were starting last weekend just outside Paris. Thev suggested that if President Slobodan Milosevic intended to make concessions to end the war against ethnic Albanian separatists, he would follow his usual nathern of consolidating power at home by cracking down on all

The government raid also Panic. ICN Pharmaceuticals' chairman and founder. Mr Panic is a Serb emigré to the US who served as federal Yugoslav orime over the war in Bosnia. Hec ran unsuccessfully against Mr Milos-

evic in elections in 1998. Diplomats said the takeover of Friday to \$23% but recovered the company could result in the marginally in early trading yes-US prolonging sanctions against Reigrade.

"I'm sure there will be no US investment in Serbia in the light of this." said Greg Burton, a political officer at the US Spoiling tactics, Page 3

the European Union had intended to lift the ban on investment in Serbia, which is part of federal Yugoslavia, if the warring parties in Kosovo reached agree ment on the future of the Serbian province at the French talks.

Armed Serbian police stormed the ICN complex on Saturday, a day after the government declared unilaterally that it owned 65 per cent of the com pany. Amid jeers from workers of "thieves, thieves", Marija Krstafic, deputy health minister declared herself the new general manager and ordered the eviction of the previous management.

"It is effectively a coup d'état," an Mitevic, general director of ICN Yugoslavia, said. The complex on the outskirts

of Belgrade was the biggest of 32 factories worldwide in the ICN Pharmaceuticals group, contri buting over a quarter of ICN's appeared to be aimed at Milan sales of about \$800m in 1997 and employing 3.500 workers. ICN took a 75 per cent stake in

the plant in 1991 - when there was no ban on foreign invest minister from 1992 to 1998 but ment. It was Serbia's first signifithen fell out with Mr Milosevic cant privatisation sale to a for eien owner. ICN's share price on the New York Stock Exchange fell \$3 on

> terday to \$234. Serb officials said production would continue and that workers

were guaranteed security.

Companies & Finance: 17-22

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Asia Pacific 21,

UK 22,

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will help integrate foreigners. Mr Schäuble said the Hesse laws, which are currently based on blood lineage. However, he will also face stiff pressure from Bonn's coalition stries, Page 2 result proved the CDU was "the political power of the [political] Editorial Comment, Page 15 coalition in Hesse and depriving the Greens not to compromise Japan is set to be

By Edward Luce in London

The Japanese government bond

Japan will account for more than 90 per cent of net govern-ment bond issuance (new debt minus redemption of maturing bonds) among the leading 18 developed economies in 1999, according to J.P. Morgan, the investment bank.

The effects are likely to trigger

Japan is going in the opposite direction to the rest of the developed world," said Matt King, a fixed income economist at J.P. Morgan. "This could have a far-reaching impact on bond prices around the leading mar-

alent of \$517bn in yen in 1999 – a

top bonds issuer

market is set to overtake the US Treasury market to become the largest in the world as a result of its planned borrowing spree this

a further sell-off in the Japanese bond market this year and a fall in western government bond vields, which are already hovering around historic lows.

ing is a desperate bid to ward off

depression after a succession of smaller fiscal stimulus packages have failed to revive the econ-Japan plans to issue the equiv-

net increase (minus redemptions of maturing bonds) of \$352hn in the Japanese government's debt. This contrasts starkly with the US government, which will reduce the outstanding value of

Treasury bonds by \$112bn in 1999

because of its second consecutive

1995 96 97 '98 99*

annual budget surplus. At current exchange rates, the value of Japan's outstanding government bonds is expected to rise to almost \$2,500bn this year while the value of US Treasury bonds would fall to below \$2,200bn. The yield on the 10-year Japanese government bond, which has risen from an historic low of 0.7 per cent last year to almost 2.5 therefore have much further to

The crucial difference this year is that the Japanese government is unlikely to buy large amounts of its own debt. This is because Japan's Trust Fund bureau is likely to sell a large proportion of its existing holdings over the next two years to meet an unusually high level of redemptions of its retail deposit accounts.

Bank of Japan under pressure, Page 6; Bonds, Page 26

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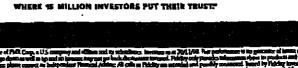
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France vesterday proposed a three-point system of enhanced co-operation" within the Group of Seven leading industrial countries to promote greater exchange rate stability between the dollar, the euro and yen.

At a meeting of finance ministers from the euro 11 countries, Dominique Strauss-Kahn said the G7, by Strauss-Kahn, French adopting a more preventafinance minister, said the tive approach", could ensure pian, would involve closer surveillance of exchange

Deutsche

chief in

meeting

in Washington and John Authors in New York

Rolf Breuer, chairman of

Deutsche Bank, met the US

lawyers suing his bank on

behalf of Holocaust victims

for the first time yesterday

as US and German officials

prepare for talks to settle

Holocaust compensation

All sides seemed optimis-

tic that a settlement could

be reached. But lawyers rep-

tion camps.

liminary" stage.

Threats to block Deutsche's proposed acquisition

of Bankers Trust, planned to

be completed by the end of

must be resolved quickly.

The bank also faces threats

keen to reach a settlement

through governmental talks

Officials from both govern-

ments discussed details of a

German compensation fund,

which would be supervised

by the government and

receive contributions from

Other sources close to the

negotiations said Mr

Breuer's presence was a sig-

nal that Deutsche Bank had

decided to attempt to broker

its own deal to settle the

class actions against them

Edward Fagan, who leads

one of the two groups of law-

yers representing plaintiffs,

said Deutsche would be fool-

ish to make an opening offer

of as little as \$1bn. He

be "a multiple of billions".

line was the end of March.

He said the effective dead-

Bodo Hombach, the Ger-

man chancellery minister.

has told Stuart Eizenstat, US

the German government is

keen to work through a sin-

gie settlement channel

rather than a lengthy and

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FRANCE:

SWEDEN

part of the umbrella fund.

German bankers seem

of boycotts in the US.

rather than litigation.

industrial groups.

By Richard Wolffe

euro rate. He also called for yen". Europe was now a which would form its views the world economy. strengthened co-operation "on macro-economic policies and the responses to shocks to the world economy within the framework of a global policy mix", and a "frame-work for monetary relations with emerging countries".

Arguing it was time "to take the next step" after the creation of the euro, Mr a "satisfactory degree of

"world macro-economic with reference to economic player on an equal footing to the US," the French minister said. "We must act together with the US and Japan to assert our rejection of any form of reciprocal benign neglect [of exchange rates] and to establish an enhanced

co-operation system." Under his proposal, the surveillance of exchange rates would be based on a periodic assessment of the levels and changes of exchange rates by the International Monetary Fund, lishing new rules for

fundamentals and cyclical developments in the economies concerned.

Although Mr Strauss-Kahn's plan avoided any reference to target zones for currencies, he said the G7 and IMF should assess its operation after a few years with a view to further measures. Looking ahead to this month's G7 meeting in Bonn, he said the plan would constitute immediate and tangible progress to estab-

Oskar Lafontaine, the German finance minister who chaired yesterday's euro 11 meeting, said not all members of the group had a chance to comment on the French scheme. Greater exchange rates stability would depend on ecor convergence, he said. But Europe had "excellent experiences" with economic cooperation.

In an example of European Union economic policy coordination, finance ministers from the 15 nations yester-

to Italy's programme for budgetary stability, which was criticised by the European Commission last week. Meeting in the "Ecofin" council, they welcomed Italian commitments to take its target deficit of I per cent of gross domestic product in 2001, if necessary. However, the ministers recommended a lower target to accelerate the reduction of italy's debt

in relation to GDP, and urged Rome to speed up its privatisation plans. NEWS DIGEST

COMMISSIONERS SPEAK OUT

Prodi suffers setback in **European Commission bir**

Romano Prodi's hopes of succeeding to the preside the European Commission suffered a setback years when leading Italian figures said the former prime in had damaged his chances by launching a comeback in domestic politics.

Cornesus politics.

Lamberto Dini, foreign minister, and Emme Boshu, est of Italy's European Union commissioners, both said services that cannot of a solition. party at the end of last week.

Mr Dini said that Mr Prodi had created a party nistic" to the other parties of the italian contro but an this "clearly reduces - if not cancels out - his chance of becoming president of the European Commission".

Ms Bonino said that Mr Prodi's candidacy for the poet had "pretty much failed". She said that if an including wanted a job of that kind, "it's better that they better or operate in a different way".

Mr Prodi has made no secret that he would like to be considered to replace Jacques Santer as Commission president when Mr Santer's mandate expires at the end of this year. Mr Prodi says his aim is not incompatible with pursuing domestic ambitions and his creation of a new party, Democrats for the Olive Tree. James Bitz, Richa

NATO NUCLEAR STRATEGY

US sees accord with Bonn

William Cohen, the US defence secretary, said yesterday that the US had ironed out differences with Germany's centre-left government over Nato's nuclear strategy.

Mr Cohen said he was sure after an annual security conference in Munich last weekend that Chancellor Gerherd Schröder's "red-green" coalition government wanted a full

role in the North Atlantic alliance. "I left Munich with a

great sense of optimism, not only about Nato but elso

Germany's role within Nato," Mr Cohen said after meeting Rudolf Scharping, the German defence minister, in Bonn. Relations were strained last autumn after the Greens, the minority partner in Mr Schröder's government, questioned whether Nato should still rely on the first use of nuclear

Mr Schröder said in Munich he would continue to pusi the idea of "no first use" ahead of Nato's 50th armiversary summit in April. But Mr Scharping conceded this had little chance of becoming Nato policy. Reuters, Sonn

POLISH AGRICULTURE

Farmers sign deal on prices

Polish farmers' protests appeared to be petering out yesterday after leaders of two of the country's three farming organisations signed an agreement with the government, guaranteeing higher pork prices and immunity for farmers who have been blocking roads for the past two weeks. Andrzej Lepper, the leader of the third group, the militant Self Defence farmers union, refused to accept the deal, which adds 20 per cent to the present pork price of 2.60 zlotys (70 cents) per kilo.

"This agreement has been acknowledged by us, but not signed by us. . . It is good only for the waste paper bas-ket," he said. "It does not fulfil a single condition we put forward."

The government has also said it would act to increase dairy prices. Mr Lepper called on his supporters to put up new road blocks but the appeal was heeded in no more than a dozen places. Christopher Bobinski, Warsaw

EUROPEAN PARLIAMENT

Soares may seek presidency

Mário Soares, Portugal's leading elder statesman, is expected to become a candidate for the presidency of the European Parliament after agreeing to stand as the main candidate for his country's Socialist party in the European

Mr Soares, 74, a former prime minister and president of Portugal from 1985 to 1995, is a committed federalist who believes in a "United States of Europe". He said he had accepted the invitation of António Guterres, Portugal's Socialist prime minister, to stand in the election to defend "the need to build a political and social Europe to complete the economic and monetary union that already

Mr Soares is seen as a strong contender for the presidency of the European Parliament if the election is won by Socialist and Social Democrat parties. Peter Wise, Lisbon

SPANISH UNEMPLOYMENT

Jobiess rate falls

Spain's official unemployment rate, still the highest in the European Union, fell to 18.2 per cent in the final quarter of last year compared with 20.3 per cent a year earlier. according to the national statistics institute.

The total number of jobless fell by almost 330,000 over the year and 72,000 from the previous quarter to 2.96m the first time for six years the figure had dropped below the 3m mark. Cristóbal Montoro, state secretary for the economy in the centre-right government, described it as "the best year for job creation in the history of Spanish democracy". The figures showed a net increase of around 430,000 jobs during the year. David White, Madrid

Details of EU reforms in dispute

Holocaust Europe's economics and finance ministers yesterday got to grips with the details of negotiating the ambitious Agenda 2000 project for reform of the European Union's finances, farm and regional policies and immediately ran into

German EII presidency's hopes that an "in depth discussion on the financial aspects" of the negotiation yesterday would mark a clear step forward towards a solution at the special EU summit in Berlin at the end of March were

frustrated. The talks

revealed define and achieve the Agenda 2000 goals.

Ministers emerged from the meeting with wildly different assessments of progress reflecting their own national interests. Gordon Brown, the UK chancellor, insisted there was growing support for "stabilisation", or freezing of the EU budget in real terms at around €85bn (\$96bn) for the period between 2000 and 2006, as a way of reforming the EU's finances. Such stabilisation. in the UK view, would obviate any need to change its rebate negotiated in the 1980s. But, according to

widespread Oskar Lafontaine, the differences over how to German finance minister, who chaired the meeting. "most delegations favoured modifying the UK budget rebate".

Wolfgang Rüttensstorfer. the Austrian junior finance minister, predicted the negotiations were more likely to end with a compromise falling short of a real spending freeze. That would mean contributors, such Austria, the Netherlands,

delegates,

UK rebate, he said.

French

Sweden and Germany. should benefit from a Zalm, the Dutch finance generalised corrective mechanism similar to the

Other 4.2 Green 7.2

FDP 7.4 SPD 39.4

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<u>CDU 39.2</u>

Yesterday's discussions in absence of any substantial the "Ecofin" council focused progress on details at on the EU's two biggest yesterday's talks and accused Mr Lafontaine of wishful thinking" when he delivered a positive appraisal of the meeting's achievements at the end of the ministers' discussions. "Kach minister defended his own position," noted

meanwhile, lamented the soccer," he joked.

Other 4.9

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COU CSU Mac 21

Dominique Strauss-Kahn. the French finance minister. Agreement on the Agenda in March "would need a small miracle", said Gerrit minister. But miracles could not be ruled out: "The Dutch always score in the last minute when they play

budgetary items: agriculture and the structural funds for Europe's poorer regions. Germany sought support for yearly ceiling on agricultural spending based on the planned 1999 level of 640.5bp. Debate on the future allocation to the

structural funds centred on proposals ranging from €200bn to €240bn for the entire period from 2000 to 2006. The discussion on agriculture exposed differences on spending and costs of reform of the common agricultural policy.

resenting Holocaust survivors made it clear they were Bonn's seeking more than \$1bn from Deutsche Bank alone, and far more from the other German banks and industrial coalition companies for their role in the Nazi-led seizure of Jew-, ish assets and the use of forced labour in concentrashies as Diplomatic officials close to the talks described yesterday's meetings at the State balloon Department in Washington as an exercise in "trustbuilding". They said the discussions were at a "very prebursts

The CDU's success June, mean the class actions | in the Hesse state poll has startled the SPD and Greens,

writes Rainh Atkir

erhard Schröder, Germany's chancellor, flew home yesterday from King Hussein's funeral in Jordan to a changed political landscape.

head of a centre-left coalition, Mr Schröder has sufnight for his Social Demorather than rely on being cussions across the federal

First, Mr Schröder's administration no longer Bundesrat, the upper house expects a final settlement to of parliament representing the 16 Lander, or federal states. To push through legmore closely with the opposition Christian Democratic Union, the party it defeated under-secretary of state, that ability to project a clear proments and policy confusions,

fragmented legal process. has been blurred further. The first candidate for compromise is likely to be bach said the government wanted to protect German its planned citizenship bill. businesses from "unjustified which would have allowed attacks and claims, some of which even aim at destroy the 7m foreigners living in ing whole companies".

Germany: changing faces



Oskar Lafootaine, SPD chairman

measure and saw its vote percentage points. But other important legis-

Barely 100 days after tak-including tax reforms ing power in Bonn at the planned by Oskar Lafontaine, finance minister (although measures already fered a sharp defeat in an in the pipeline can perhaps important regional poll. The be pushed through before surprise defeat on Sunday the new CDU-led government in Hesse is formed). cratic party (SPD) and its Legislation paving the way Green party allies in state for shutting Germany's 19 elections in Hesse, central atomic power stations - an Germany, will have reper- issue fundamental to the Greens - may also have to fight its way through the Bundesrat.

Second, tensions within commands a majority in the Mr Schröder's coalition have sharpened. The Green leadership's reaction to the party's heavy loss on Sunday islation, it will have to work Röstel, party spokesman, said the Greens required a "broader profile" across a range of policies. But the in last September's federal SPD, which increased its election. The government's vote in Hesse slightly, was also holding its head high. file, already affected by argu- Ottmar Schreiner, SPD general secretary, insisted "classic SPD themes" had to play a greater role in future. The sense of bitterness

was all the greater because the defeat on Sunday was dual nationality for many of unexpected. There was a confidence in the SPD and

lised its supporters in Hesse tion was alienating voters by focusing on opposing the with its signature campaign, spearheaded by the Hesse increased by more than 4 CDU, against dual nationality. In spite of the blunders by the Bonn government in lation could be affected, its first 100 days in office, opinion polls pointed to a vindication for "red-green" politics in Hesse; nationally the SPD had picked up a percentage point or two since

> ow Roland Koch, the boyish 40-year-old CDU candidate for the Hesse premiership, has pricked what he described as "redgreen arrogance" with a provocative campaign symbolising a lurch to the right by the CDU (encouraged by Edmund Stoiber, the leader of the Christian Social

Union, the CDU's Bayarian sister party). Mr Koch was one of agitation; Gunda breathed life into an opposition recovering from a postelection depression. Most first-time voters in Hesse turned to the CDU. The SPD will look with a nervous eye at the six state elections still left this year, as well as June's European elections. How dangerous is Mr Schröder's predicament? SPD states objected on a There is a slight sense of dėjà vu. In the last years of Lafontaine faces pushing his from Hesse. For them it government under chancellor Helmut Kohl, the CDU

Lafontaine, then prime minister of Saarland as well as SPD chairman, Most dramatically, reform of Germany's complex tax system was repeatedly shelved. At that time, it was the SPD that eschewed a traditional consensus approach; now perhaps an emboldened rightwing CDU will take a similar

But Mr Schröder's position today is still stronger than Mr Kohl's was. For a start, the CDU does not have a either - the balance is held the CDU and SPD jointly. On a personal level, the chancellor's standing is relatively unaffected by the Hesse poll. The issues on which Hesse was lost - dual nationality and the publicity fall-out from arguments over out risks. The "alliance for nuclear power - were not jobs" is about details of pol-

central to his philosophy. It might be argued that Mr Lafontaine has been hit worse. After September's ahead. The danger is of federal election, the finance muddling on. minister boasted his tax plans were backed by most Lander. That claim was already looking hollow after number of fronts. Now Mr reforms through a still more hostile chamber.

was repeatedly frustrated by SPD blocking tactics in the Bundesrat – led by Mr advantages. The chancellor

is less comfortable than colleagues in coalition with the Greens. Before election he correctly foresaw problems would lie not on foreign but domestic issues. By instinct, he seeks pragmatic compromises, a rebuilding of traditional post-war German social consensus around a "new political centre".

Roland Kock, CDU state pressier-elect

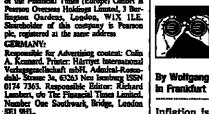
With the evidence from Hesse as ammunition, Mr Schröder could argue to his coalition that it can ill afford to alienate possible supportmajority in the Bundesrat ers in the future. On economic policy, a framework is by "neutral" states ruled by already there; the centrepiece of Mr Schröder's campaign last autumn was his "alliance for jobs", bringing together unions, the state and employers. Such a consensus-oriented

strategy would not be withicy: there is no overriding concept to define a government agenda for the years

In addition, Mr Schröder still needs the radicalminded Greens for a majority in the Bundestag, the lower house of parliament. But the Greens are smarting would be better to remain in office, even if the partnership is one of mutual distrust, than to wither in the

Germany. The CDU mobi- Green camps that the opposi-INTEREST RATES DESPITE PRESSURE FOR CUTS, THE ECB TAKES TIME TO STUDY TRENDS

Bank weighs all the odds



Inflation is heading towards zero. The unemployment rate is still close to 11 per cent. Business confidence is at an all-time high, and busiing sector is contracting. So why does the European Cen- ECB is also intrigued about tral Bank not cut interest

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C The Financial Times Limited 1999.
Effor: Richard Lumbert, do The Financial
Times Limited, Number One Southwark
Beidge, London SEI VIII. The ECB has announced on several occasions that the of the negative trends, espeshort-term benchmark rate cially the fall in business will remain at 3 per cent "for confidence, may have botthe foreseeable future" - a tomed out in January. Mr fine-tuning. time frame it does not spec- Duisenberg said the ECB

for is March 4, when the ECB is scheduled to bold its next news conference. In his news conference last

week. Wim Duisenberg, ECB president, talked about conflicting economic signals, such as the gap between consumer confidence, running growing levels of credit to the private sector.

sagging and the manufactur- ness confidence, which is adjusted by expectations of per cent. extremely depressed. The future inflation - are run-There are signs that some

expect a rate cut in the first thorough analysis and very headline rate of the harmonhalf of this year. The first close monitoring of under- ised index of consumer realistic date to watch out lying trends before it. prices, which increased at an decided whether to cut inter-est rates. annual rate of only 0.8 per cent in December (after 0.9 But the question of per cent in November). The

leave them is not a make-or- tion is largely because of break issue for the euro-zone falling energy prices. Core economy, since monetary inflation, excluding energy conditions are by no means and food, is 1.5 per cent, overly tight. Real short-term while service sector inflation interest rates - actual rates remains steady at about 2 ning at 2.3 per cent, accordwhether these rates are funwhether they need some

whether to cut rates or to extreme low level of infla-The ECB also appears con-

cerned about the wage round ing to the ECB, while real in the German engineering long-term rates are 3 per sector, which could set a cent. The question is not trend for other European cyclically adjusted budget deficits, which is likely to The best argument for a happen in several European ify. Most ECB watchers still needed to conduct "further rate cut is the fall in the countries this year.

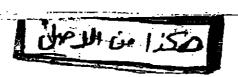
Economic indicators for euro-11 countries

Inflation (some) % change)	9.8	0.9	1.0	1.0	1.2	1.4	1.6	2.2
Unemployment (%)	10.8	10.8	10.8 -	10.9	11.0	11.0	11.6	11.6
Trade (Eco bo)					, 	٠.		
Exports	n/a	16 /2	68.7	65.6	56.1	. 724	760.8	667.7
imports .	n/a,	m/a	61.1	60,3	48.6.	58.9	671.4	594.2
Trade balance	D/8	. m/a .	7.5	5.2	6.5	13.5	88.4	78.5
Corrent account (Ecu bo)	03 1998		02 98	01 98		04.97		03 97 ~
Correct account because	21.5	٠.٠	25.0	124		25.6		26.0
As % of GDP	1.5	•	1.7	0.9	··· ··	2.0		1.9
industrial production (%)	Sep-Nov!		Aug-Oct/	Jul-Sep/	٠٠.	Jun-Aug/	1997	1996
(3 mm over previous 3 mm)	Jan-Aug		May-Jul	Apr-Jun	٠. '	Mar-May		
	0.3	٠.	0.5	0.6	<i>.</i> :	0.7	4.111	-0.011
SDP growth (%)	O3 1998		02 98	01.98	····	04 97	97	96
Over same quarter lest year	2.7		2.9	3.7		3,1	2.5	. 1.6
Money supply	Dec 199	1	Nov-1988	Oct 96	s	en 98 :	Aug 98	Jul 98
MG Annual growth rate (%)	4.5		4.7	5.0		45	45	5.0

But even the hardliners on if current trends were to growth this year and is the board of the ECB will continue. industries. Mr Dulsenberg ultimately find it difficult damentally wrong, but has warned against a rise in to argue that the balance pressure for cuts in interest of risks in the euro-zone

Meanwhile, the political on the ECB to cut rates.

already stepping up pressure On balance, a rate cut of rates will become more between 0.25 and 0.5 percenteconomy would be on the intense. The German govern- age points in the first half of side of higher inflation ment appears increasingly this year still remains the rather than lower growth, concerned about domestic most likely scenario.



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German private sector

Rivals to Deutsche Teledecision to allow the partially privatised company to charge DM25.40 (€18, \$14.60) per month for local access would stifle competition in one of the last quasi-monopolies in the market, which

the long-distance call mar- sees the regulatory ket, had pressed for a authority, had backed Deutmonthly charge of between DM15 and DM20 for access to the "last mile" of the network leading into customers' homes. Deutsche Telekom most recently demanded a

Alongside the monthly kom said the regulator's charge, which will run until the end of March 2001, Deutsche Telekom can charge an additional one-off fee for a additional fees range from

Competitors, who have benefiting Deutsche Tele- distance interconnection man of Mannesmann Arcor. successfully hacked away at kom. Werner Müller, the sco-charge in the courts.

Deutsche Telekom's share of nomics minister who over- The regulatory au

and quality of services. But Harald Stöber, chair-

a joint venture between The regulatory authority industrial group Mannes mann and Dentsche Bahn the federal rail company, said the decision would "protect Deutsche Telekom's monopoly position in the local network". He said his company would explore the possibility of challenging the decision in the courts.

James Golob, telecoms analyst at Deutsche Morgan Grenfell in London, said the regulator had created an additional problem by setting a local access whol 18 per cent higher that Deutsche Telekom's monthly line rental charge of DM21.39.

KOSOVO SERBS AND ALBANIANS IN SPOILING TACTICS

Cook, Vedrine seek to keep talks going

renewed conflict

delegation.

The 13-strong Kosovo

television, said the Serbian

delegation had proposed that

the two parties first sign an

agreement accepting 10 basic

principles set out by the

mediators, the most impor-

tant being the "sovereignty

and territorial integrity of

Serbia and Yugoslavia". This

and Guy Diramore in Belgrade

The French and British foreign ministers will today intervene in the Kosovo peace talks in an attempt to end efforts by both the Serb and Albanian sides to derail the negotiations.

Hubert Vedrine, the French foreign secretary, yesterday travelled back to the talks, in the château of Rambouillet, and today will be joined by Robin Cook, his UK counterpart.

The two ministers will seek to step up the drive for a fully fiedged peace settle-ment in the Serbian province within the next 10 days.

Mr Vedrine said the negotiations were proving tough. "I cannot be optimistic because it's very complicated and there are no easy issues in these discussions.' he said, Officially, the for-

eign ministers' intervention in the talks, which only started three days ago, is aimed at "lending weight to the negotiating effort and to monitor progress so far". Privately, officials are dismayed at early spoiling tactics by both sides. The Alba-

nian representatives are pushing the idea of a formal ceasefire in Kosovo if it is backed by Nato peacekeeping troops. Their prime interest appears to be to get Nato troops into Kosovo, a goal for which they would use the minimal achievement of a ceasefire as a pre-

But Nato ministers and commanders believe that a

proposed peace plan that ceasefire without an accompanying deal on Kosovo makes no reference to Kosautonomy would not hold. ove remaining part of the They say they would not republic of Serbia. send their troops into a In Madrid, Javier Solana

Albanian team has also est information from the named Hasim Thaci, a leader talks "could not be qualified as bad" of the separatist Kosovo Lib-He said international preseration Army (KLA), as their chief negotiator - a move sure for an agreement would that bodes ill for the more continue ' moderate members of the

with maximum intensity". William Cohen, US defence RTS. Serbia's state-run

Nato secretary-general, was

more upbeat, saving the lat-

secretary, reiterated in Bonn that the US would not commit troops to a Rosovo "None of us would contemplate what we call a non-permissive environment. namely we would be there to keep peace, not to make

Access fee irks German phone groups

relecommunications operators protested yesterday after industry regulators set a relatively high access fee for companies using local networks owned by Deutsche Telekom, the former

Italians

world's

hosiery

makers

By Peter Marsh in Brescia

Along with the normal

executive trinkets in the

opulent office of 87-year-old

Francesco Lonati, one of

Italy's most powerful indus-

trialists, sits a pile of socks -

not pairs of socks but odd

ones of different styles and

field in which the family-

controlled Lonati company has 75 per cent of the world Interviewed this week in

the company's headquarters in Brescia, northern Italy, Mr Lonati had good reason

His company has just finished extensive, top secret trials of a machine that performs the equivalent in sock-

making to breaking the

sound barriers in aerospace

- producing socks in high

volumes in a single opera-

separate step to stitch up the

"The new machine will

revolutionise sock-making,"

said Ettore Lonati, vice -president of the group and

one of the elder Mr Lonati's

three sons who help him to

run the company which last

vear had revenues of

L1,800bn (about \$1bn) -

about a third of which comes

from textile production machines. As well as inter-

ests in sock production systems, the group makes

spinning machines and also

to be smiling.

sock it to

monthly fee of DM37.30.

telephone connection. The DM191.64 to DM337.17.

sche Telekom's campaign for higher interconnection fees. Deutsche Telekom has consistently complained that low interconnection rates for

long-distance calls have meant effectively subsidising competitors, who pay a relatively small charge of 2.7 pfennigs per mimute to use its networks and then grab market share through undercutting. The company, which much as 30 per cent of the Yesterday's decision was long distance market, is seeking to challenge the long

is thought to have become more sympathetic to such considerations. Arne Börnsen, vice-president, also played down the consequences of higher local access charges. He said he did not expect competition in the local market to be as focused on price as in the long-distance segment, where a price war has driven costs down by some 70 per cent. He said the decision would spur market entrants and compete on the range

France's largest union group takes on a younger image

leadership has taken over the CGT, France's largest trade union confederation, with a commitment to crossborder bargaining in Europe. The confederation's new leader, Bernard Thibault, 40, was elected at the end of the CGT's 48th congress, staged last week in Strasbourg , when he also pledged to work for greater unity within France's fractured

A younger, more pragmatic

This is not so mysterious The shift in stance by the as it sounds since a large CGT was cautiously welcomed by the Medel, the ati, founder and chairman of employers' federation, which the Lonati steel-to-electronhas long viewed the ics business empire, is taken confederation as the most up in designing new types of confrontational of trade sock making machines – a

trade union movement.

the Communist party, and it has seemed increasingly out of step with the altered employment patterns and pay bargaining that have followed wider changes in France and the global econ-

Membership has fallen to 645,000 from over 2m in the early seventies. Of these members, almost 150,000 are retired workers. The union continues to draw its bargaining power from its stronghold in the public sec-

The main challenge has come from the more moderate CFDT, which has successfully recruited new

unions in France. The CGT's service sector and been unafideological position has raid of striking deals with headed by Nicole Notat, now accounts for 25 per cent of union membership against the CGT's 38 per cent. Force Ouvrière, the other main

> Mr Thibault came to prominence in 1995, when he played a leading role in a successful strike against the then conservative government's plans to restructure the rail sector.

group, hovers around 20 per

He has insisted on a big rejuvenation of the union's executive, with more women

The direct links with the Communist party have also been cut even though the The commitment to pract

also reflects moderation shown by Robert Hue, the Communist leader, who has four ministers in France's socialist-led government and has played down his opposition to European economic integration - which was previously attacked as being a capitalist enterprise.

But the CGT, like the Communist party, is divided, with an important minority hostile to abandoning the struggle against capitalism. As a signal of his desire to forge greater unity Mr Thihault met Ms Notat at the Congress. She had once been criticised by the CGT for refusing to back the 1995 rail

Turkey urged to bite the bullet sumer price inflation last month slowed to about 66

The International Monetary per cent from 102 per cent. Fund vesterday held out the It said the stabilisation of tion, rather than requiring a promise of loans for Turkey reserves at a comfortable in exchange for a more ambitious anti-inflation strategy once elections scheduled for April 18 are out of the way. Calling for "early action" to tackle high real domestic

interest rates which were "damaging the real economy", the Fund said it looked forward to designing a "more ambitious and comprehensive disinflation strategy" with the Turkish authorities, which would be implemented after the elec-

But it suggested the best

the caretaker administration controls roughly 90 per cent of the market in machines of Bulent Ecevit, the prime minister, could do in the similar to sock machines for making women's tights. Under the watchful eye of meantime was to safeguard gains made under an existing IMF-monitored prothe elder Mr Lonati, a team gramme, which carries no of technicians at the company started work five years financial support. Turkish officials have made clear ago on the world's first that they would welcome 'closed toe" sock making IMF loans to help them conmachines - systems which have defied the best brains vert expensive domestic debt into cheaper longer-term in the industry since loans denominated in formechanised sock production

eign currencies. started 150 years ago. A statement issued at the In a project which has cost conclusion of a two-week \$3m; the team has used a mixture of mechanical and IMF staff visit to Turkey electronic principles to put said the country had successfully weathered the together a complete sock in one operation including the shocks of last year's emergvital stitching of the toe. ing markets crises and had This offers considerable made impressive progress in reducing chronically high savings to the world's sock inflation. Year on year conmanufacturers which normally require a separate set

of machines for this job and extra labour. The world market in sockmaking machines is estimated at \$150m a year, while textile makers around the world turn out every year 7bn pairs of socks worth \$10bn at retail prices.

So far, Lonati has sold 200 of its new machines at about \$27,000 each to customers around the world and it expects orders for another 2,000 by the end of this year. Although the machines,

which can turn out up to 800 individual socks a day are roughly 30 per cent dearer than previous generations of equipment, they should prove worthwhile to customers because of the efficiency savings, according to Ettore Lonati - one of 13 family members who help to manage the company. But the biggest pleasure in

the new machines this week was being displayed by the patriarch of the industry, Francesco Lonati, who set up his business in 1946 as a penniless mechanic and says he has no thought of retir-

My father says recoving the business keeps his mind young," says Ettore.

By Leyia Boutton in Ankara

current account position. provided "reassurance that the external position will remain viable in the period

The statement provided a shot in the arm for Turkish efforts to boost the confi dence of the international financial community at a time when the country is wrestling with an economic slowdown exacerbated by squeeze on cheap foreign

The IMF reported that GNP growth slowed to 3.2 per cent last year down from per cent in 1997. But the Fund also critic

ised Turkey's failure to sustain structural reform required to address the root causes of high inflation into the second half of 1998.

Changes which Turkey had failed to deliver under the IMF-monitored programme included a "quan tum jump in privatisation" which generated only \$1bn as opposed to \$2bn envisaged for last year.

Sell-offs ground to a hal under the combined weight of legal obstacles and the corruption scandal which brought down the reformist administration of Mesut Yilmaz, the former prime minis

Ukraine banks in fear of a run

By Charles Clover

Ukrainian domestic banks yesterday warned that a plan by their finance ministry to reschedule 200m hryynia (\$51m) of maturing treasury bills could cause a run on the country's banks.

"The conversion order was approved without consulting the banks, without taking into account their liquidity level, and it threatens to cause panic in the financial market," said the Association of Ukrainian Banks: yesterday.

The finance ministry had told banks last week that it would redeem government treasury bills maturing in February in several instalments between May and September of this year. The minsaid bank stry representatives "had offered no objections except several

virtually all of the short-term liquid assets of the Ukrainian banking system Last August, Russia's decision to delay payment on all maturing treasuries sparked a run on the country's banks. Ukraine's decision funtil now to make reschedulings "voluntary" is credifed as the reason behind the continued solvency of the country's banking system and the relatively mild fall of the hryvnia com-

Ilkraine's current financial crunch is partially the result of its failure to meet the conditions of a \$2.2bn, 8-year loan from the International Monetary Fund, currently the only source of foreign credit to the country. Since November, three monthly tranches of the loan have

pared with the weakness of

the Russian rouble since



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that we now call the caty our home in Europe. services fit is the leading city in the application of new computer technologies). A city which knows that taken is where the fature is Barcelona's while (mage it) universides and its betters promotion in this field attracts thousands of foreign students each year and facilitates exchanges with universities in other as



China halts crude sales to Japan

Low international oil prices have prompted China to suspend exports of crude oil to Japan from the vast Daging field, breaching an agreement with Japanese buyers and raising doubts over Chinese oil exports to other des-

An official with the staterun China National United Oil Corp (Chinaoil), the sole agent for exports of Daqing crude to Japan, said yesterday there were no plans to deliver February shipments to Japanese buyers. He declined to provide an out-

look for March and later. "This is a problem in government policy. We will have to see whether it can be resolved later," said the official, who declined to provide any further explana-

Japanese buyers of the low-sulphur crude, which is used by power stations, had requested about 580,000 tonnes of Daqing, or about 4.2m barrels, in February. Under a long-term agreement between Japan and China, Chinaoil is committed to ship around 6m tonnes of Daqing crude a year.

not expected to cause signifi- sector. Domestic manufaccant dislocation among turers have, in effect, been users, which are exploring subsidising China's ineffialternative sources of lowsulphur crude such as Minas from Indonesia. Minas, however, is more expensive.

The breach of the long-term Japan-China trade agreement on Daqing oil could undermine the faith that China's trade partners place in such agreements, analysts said. However, legal action by the Japanese against Chinaoil was unlikely, the analysts added.

The episode highlights

lysts said the disruption was tortions in China's energy prices, have been hit. cient crude oil producers since international oil prices fell below China's domestic prices last year.

A flood of crude import smuggling driven by the needs of hard-pressed industries to cut costs has since been curbed by a nationwide anti-smuggling campaign. The result has been that the profits of local oil producers have begun to rise again. But the margins of manufacturers, forced to buy oil at

The decision to halt Daqing exports to Japan springs partly from the fact that domestic demand has grown recently following the relative success of the antismuggling campaign. Another important factor has been that, in many cases, the cost of producing Chinese crude is higher than

the international price. Unless international prices a declining trend in crude exports may gather pace this year. Last year. China exported 15.6m tonnes of crude, down 21 per cent from higher than international

oped infrastructure, undevel-

oped niche markets, and

skilled labour were other

key elements that made

high-wage markets a prime

choice for US multinationals

Geography appeared to be

key component in US mul-

tinational decision-making.

Canada, the second largest

recipient of US manufactur-

ing investment, captured

\$4.2bn of FDL, tripling the

amount of foreign direct

investment compared with

To the south, Mexico,

a popular emerging market, captured \$2.9bn, the

Despite the turmoil

of the Asian market last

year, not all Asian markets

experienced a withdrawal of

US foreign direct invest-

largest share of US invest-

ment in Asia with roughly

\$2.2bn, outdoing China,

Hong Kong, South Korea,

Taiwan, Australia and New

Zealand which all experi-

enced a slight growth in US

investment by the beginning

Singapore captured the

expanding abroad.

Dasa to update **Polish** fighters

By Alexander Micoll, Defence Correspondent

DaimlerChrysler Aerospace (Dasa) of Germany is to modernise 22 MiG-29 aircraft of the Polish air force, bringing them up to the standards of the Nato alliance which Poland joins next year.

A contract signed in Warsaw yesterday, believed to be worth nearly DM100m €51m. \$58m), will enable Poland to delay buying expensive new aircraft as replacements for the Russian-made MiGs, which are to be given new electronics and cockpit displays.

Poland, like Hungary and the Czech Republic which also enter Nato next year, needs cost-effective ways to bring its military in line with western standards although existing Nato members have made clear they do not expect new members to embark on spending sprees they cannot afford.

The Polish order indicates a promising market for Dasa, which has modernised 23 MiG-29s inherited by the Luftwaffe from East Germany at Germany's reunification. Dasa is in talks with Hungary, Romania, Bulgaria and Slovakia.

Industry experts said MiGs were designed by Soviet engineers to have a much shorter flying life than western military aircraft. because maintenance work

was cheap. The western approach is to keep extensive maintenance to a minimum. The upgraded German MiGs undergo extensive checks every 1,300 flying hours instead of every 800 previously. Experts said the Polish MiGs, although fairly old, were being flown for only about 50 hours a year and could have their lives extended up to 2010.

Dasa said it and the German ministry of defence had suggested a co-operation programme with all Rummean countries using the MiG-29 to seek solutions to logistical and technical problems.

NEWS DIGEST

"orld leaders

CHINESE TRADE

Beijing considers new export insurance body

China is considering establishing a separate export insurance institution in order to stimulate overseas asian The new body would complement existing export incurance provided by the Export and Import Bank of China (Eximbank) and the People's Insurance Company of China (PICC), which can offer only limited support for Chinese exporters, according to press reports. A PICC executive was quoted as saying that the state-run company was a profit-seeking organisation that could not offer a suitable environment for long-term export credit insurance. Li dianzhi, deputy manager of the Eximbank's export credit insur-ance department, also suggested the bank's structure was unsuitable for longer term export credit insurance.

The creation of a separate export credit insurance body would fit with the government's wide-reaching efforts to support the country's struggling experiers with measure short of a devaluation of the Chinese currency. China's export growth has collapsed in the wake of the Asian crisis, as the competitiveness of Chinese exporters has been eroded by a strong, stable Chinese currency in a region of

Belling has already used tax rebates and export credits to st exporters. James Harding, Shanghai

TURKISH CONTRACTS

International arbitration agreed

Turkish officials are believed to have reached an agreement that would remove the single biggest obstacle to fiveion investment in Europe's fastest-growing energy market. Energy industry executives said they understood there was substance to reports that the energy ministry had convinced the Danistay, or Council of State, to allow international arbitration in energy deals. Under Turkish law, the Danistay is supposed to arbitrate in the event of disputes between Turkish and foreign partners on the implementa tion of a contract.

But foreign companies find it hard to raise funds for any projects which do not provide for international arbitration. Turkey's refusal so far to accept international arbitration, except in isolated cases, has complicated its attempts to transfer operating rights at a number of power plants to more efficient private investors.

The lack of international arbitration is also described by UK water industry executives as the single most important obstacle to foreign investment in new water and sewerage piants. Leyia Boulton, Ankara

NUCLEAR POWER IN INDIA

Ukraine 'signs turbine deal'

Turboatom of Ukraine has reportedly signed a contract to supply an unspecified number of nuclear turbines to India. although Ukrainian officials declined to confirm the television report. Last year, the US objected to Turboatom's planned sale of nuclear turbines to Iran, fearing that the technology would aid Iran with its efforts to build a nuclear bomb. As a result, the Ukrainian government pressured Turboatom to abandon the deal, But US officials said they had no problem with such a sale to India, which last year successfully tested a nuclear bomb. Charles Clover, Kiev

Cuban telecom threat tricky problem for US

By Pascal Fletcher in Hayana

Cuba's repeated threats to suspend telephone services with the US if US telecom companies do not make scheduled phone call revenue payments have posed a tricky political problem for the US government.

US State Department officials say they are taking "very seriously" public and private warnings by the Cuban government that (seizure) of the payments bilateral phone links will be could have serious implicacancelled if the payments are not forthcoming.

The problem has arisen out of an ongoing court case in Florida in which relatives of four Cuban-American pilots killed when their two small aircraft were shot sought to collect this including AT&T and MCI from the millions of dollars paid each year by US company ETECSA are a key phone companies to Cuba for telecommunications ser-

became operative in late 1994, several million calls are made each year.

This traffic earns Havana well over \$50m a year, paid by US telephone companies

ceased production in early 1998.

included in the physical properties for sale are:

THE FACILITIES

THE DESIGNS

THE UNDOUG BENEFITS

US embargo against Cuba.

The US government, which condemned the 1996 aircraft downings downs as murder and tightened economic sanctions against communist-ruled Cuba as a result, is opposing the legal attempts by the dead pilots' relatives to seize the Cuban telephone fee assets.

"The US government believes that garnishment tions for US foreign policy and for humanitarian interests with respect to the Cuban people and the Cuban-American community," a US official said.

Senior US State Department and Treasury officials down by a Cuban MiG have testified to the Florida fighter in early 1996 are court that the phone serseeking compensation for vices provided by more than the deaths. They have half a dozen US companies, WorldCom, to Cuba's phone part of Washington's twotrack policy towards Cuba. This policy seeks to combine Since direct phone links pressuring the Cuban government with encouraging humanitarian "people to people" contacts, for example through telephone

links. Cuba is insisting the telethrough special licences phone fees be paid regard-

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granted under the existing less of the court case. "It's a US embargo against Cuba. commercial matter," a foreign ministry spokesman said, adding the "limit date" for the payments had been

reached. Cuba has authorised the first completely foreignowned investment on its national territory, although the completed project, a \$15m diesel electric power station, will be transferred back to Cuban ownership after 4½ years.

The build, own, operate, transfer contract was awarded to a Panama-based company with Lebanese capital, Genpower Cuba.

Genpower, using German and Israeli equipment, will construct the small power plant on the Isle of Youth. south of the western part of Cuba's main island, and will sell electricity in hard currency to the Cuban state power company.

Cuba's 1995 foreign investment law allows 100 per cent foreign ownership in principle but the Cuban government had so far authorised only a small number of overseas investors to hold a share above 50 per cent in individual proiects

ed with new car programmes

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US investors head for Europe

By Shiipa Mohan in Washington

Defying conventional economic wisdom, US manufacturers last year allocated 65 per cent of their foreign direct investment (FDI) to high-wage and mature labour markets in preference to low-wage developing

The finding, released in a research report by Deloitte Consulting, the international management consultancy. reported that Europe remained the largest recipient of US manufacturing FDI, receiving a total of

The UK received the largest share of US investment first increase in its US in Europe with allocations direct investment since amounting to \$5.5bn. "Reducing currency risks

and easier cross-border transactions facilitated by the introduction of the euro as well as further deregulation of industry will continue to attract US manufacturers to invest in the region," said Michael Fradette, practice director of manufacturing in the Americas at Deloitte Consulting.

The stability of high-wage markets attracted many businesses in light of the frequent volatility of developing markets, particularly in

www.dc.com/research! publications/keytrend_html

of last year.

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If you are interested, please submit informative documents about your company (latest annual report, reference projects, business connections, bidding position on the market etc.), on the basis of which suitable applicants for a limited competition will be selected.



Please send these documents by not later than February 28, 1999, to: LEVG, Mr. Reinhard Wölpert, Deutscher Platz 4, D-04103 Leipzig. Tel. +49 (0) 341/2 26 00-0,

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AND NOTICE IS FURTHER CIVEN that the said Peation is directed to be heard before the Compones Goust Registers at the Royal Court of Justice. Strand. London WC2A 2LL on Wc6estry the 17th day of February 1999.

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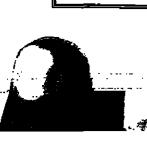
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BLESS POWER IN INDIA

NEWS DIGIST

KING HUSSEIN'S FUNERAL

Mideast animosities banished for a day as Last Post and world leaders mourn region's peacemaker readings from

Only King Hussein could command such a quorum, and only then, upon his

Such a gathering had never been seen in the Middle Bast, and very likely will not be again, unless, by some miracle, the Arabs and the Israelis reach a way of living with each other. That would require the Arabs to bury a century of hatchets. It would also require the Israelis to conquer their own divisions - at least enough to decide what sort of peace they want.

For at yesterday's magnificent yet informal state funeral for the late Jordanian monarch, there they all were: Arab leaders with a past of communicating with each other by car bomb, some of whom would never knowingly be seen at an occasion attended by Israelis; a huge but visibly split delegation from Israel; and all amid a melée of over 50 world leaders, come from all continents to pay their respects to a man not a few of them had at one time or another schemed against Ford (a mere four out of the settled by treaty, and in

It was a protocol and security nightmare for the Jorreign), while Tony Blair, the ian West Bank. Nearby is danians, but they carried it British prime minister, the ailing Yassir Arafat. off with aplomb, dignity, and arrived with Prince Charles the mix of courteous informality that so characterised ers, William Hague and their dead leader. Nobody Paddy Ashdown, But quite was in any doubt it another level of regional aniincreased their pride in him. Imagine the problem - the

seating arrangements alone sein. a diplomatic nightmare -One thing is the bi- or even al-Assad, the painfully frail tri-partisan solidarity shown by the US and the UK. Bill Clinton attended with former President Jimmy Carter from his own party and of the Golan Heights Israel Republican Presidents seized from Syria in the 1967



10 US presidents King Husand the two opposition leadmosity was subsumed into the mourning for King Hus-

There is President Hafez master of Syria. And here is is daily at war in the Israeli-Benjamin Netanyahu, the Israeli prime minister who refuses to give up one inch

10 US presidents Ring Hus- which King Hussein lost east sein dealt with in his long Jerusalem and the Palestinloser in the 1970-71 civil war 1967 disaster, but now salut-Gulf Arab leaders still technot to mention a modest delegation from Lebanon which occupied buffer of southern

> Or consider the tracti delegation. After December's bombing campaign by the same frame as the Iraqi lead- ally exceeded his ceremonial

> now almost daily skirmishes between fragi and allied war lem, under the circumplanes, one would assume Taka Mohieddin Ma'arouf, not want to be in the same King Hussein fought against cortege as President Clinton the Palestinians after the or Mr Blair, or they with he had to abandon the prohim - and indeed. Saddam ing the dead monarch's cof Hussein's deputy was fin. Milling around them are nowhere to be seen in the

> > Saddam last month called on tion presented a protocol the Arab masses to rise up and overthrow the "throne dwarves" who govern them. few Gulf monarchs at vesterday's funeral would have wanted to be caught in the

An entirely different probstances, was presented by advice to come to the funeral. Propped up by aides, cession, parting a cortege the size of the United Nations as his Zil limousine sped him away.

The huge Israeli delegaproblem all its own - largely because it split into four delegations, filing very separately past the lying-in-state. First was President Ezer yahu against intransigence. Then came the Israeli prime minister with his foreign minister and right-wing rival Ariel Sharon, the invader of Lebanon in 1982 who periodically liked to remind King Hussein that Jordan was part of Biblical Israel. Third came Ehud Barak, Mr Netanyahu's Labour challenger in the most vicious election campaign since Israel's foundation. He was followed by

his predecessor Shimon Peres, architect of the now stagnant peace process, accompanied by Yitzhak Mordechai, the defence minister who split from Mr Netanyahu to lead a new centrist party in the May elections.

If that was not enough, there was also Ephraim Halevy. chief of Mossad, which trampled over Israel's 1994 peace treaty with Jordan to launch a botched assassination against a leader of Hamas, the Palestinian Islamist movement, in Amman in 1997. It would not have been the occasion it was had not Khaled Meshal. the Hamas leader targeted, not filed past the coffin

The Jordanian authorities dealt with it all by simply leaving the visiting dignitaries to find their own seat-

There surely must have been some artful premediation in the fact that it was President Assad - a man who at least twice over the Hussein with invasion - was the first in the long queue after the funeral to present his condolences to the young King Abdullah. His was the most remarked presence at King Hussein's extraordinary send-off - and perhaps

the Koran

By Judy Dempsey in Amman

Close to liam, on a bitterly cold morning, the cortège carrying the coffin of King Hussein slowly made its way from the Bab el Salam royal where the king died on Sunday after a long battle with

The cortège, led by guards wearing the traditional red and white headdress of Jordan, wound its way to the small royal cemetery. located in the grounds of the Raghadan Palace, the final resting place of the Hashemite kings.

Along the route, the shops were closed. Black flags hung at half mast. From the open windows, one could hear the verses of the Koran being recited on radio and

As the cortège went down the hill towards the palace, through the poorer districts of the capital, the crowd started to swell.

Often five deep, young and old tried to push their way toward the vehicle carrying the body of a king, who during his reign of 47 years became their father figure and protector, never shunning contact with his own

At times, they managed to break through the cordons of policemen to touch or throw flowers over the casket of their leader - the only one most Jordanians have ever

them at bay through sheer force of numbers. As the cortège entered through the gates of the Raghadan Palace, armoured

Oversess sid

The policemen, some

openly weeping, only kept

poised to protect the kings and princes, presidents and prime ministers, who had come from around the world to attend one of the most extraordinary funerals in the Arab world and of the late

Yet within the confines of the lush grounds of the palace, Jordan's new king, Abdullah II. 37, chose to give pride of place to his own people. They were first to file past the coffin of his father as the foreign dignithrown together without any order of preference, by the palace and wait their turn. Inside the small Throne

Room, whose windows face Mecca, Jordan's many former prime ministers, former and other Jordanian dignitaries, filed past the coffin, as King Abdullah stood beside Prince Hassan, the uncle he suddenly replaced as heir apparent last month. It was then the turn of foreign leaders. Soon after, without any

delay, the coffin was taken to the cemetery, led by guards playing a mournful Scottish tune on bagpipes, a legacy of the British colonial era. The body, wrapped in a white shroud, was lowered into the ground. The Last Post was sounded. The Koran's prayers for the dead

were recited. The foreign dignitaries paid their last respects by shaking hands with King Abdullah. But by the time they had driven off in their limousines, the young king was receiving ordinary Jordanians, continuing the common touch of his father and ending the ceremony - as it tanks and soldiers were began – with his own people.

Aid for poor nations sinks to record low

By Robert Chote, Economics Editor, in London

The amount industrial countries spend on development aid for poor nations fell to a record low in 1997 but there are tentative signs of an unuum.

Overseas development assistance by 21 of the richer members of the Organisation for Economic Co-operation and Development dropped from \$55.4bn in 1996 to \$48.3bn in 1997, the OECD said yesterday.

Adjusting for inflation, this represented a fall of 5.8 per cent. As a share of national income, aid spending fell from 0.25 per cent in

per cent. Development assis- development aid had been increase aid spending in real although in cash terms its have all become more importance is well down from the seen as a soft target as terms during 1997 and this contribution was second tant priorities. recorded before 1992, letalone the 0.7 per cent United Nations target

that the largest industrial nantly to blame for the 20 per cent fall in inflationadjusted aid spending since 1992. Development assistance from the Group of Seven - Japan, Germany, France, Italy, Canada, the US and the UK - fell by 29 1997, while real spending in the smaller industrial countries was little changed. The OECD noted that

aid thus fell to 0.6 per cent in 1997 from 0.8 per cent five years earlier.

But the OECD noted there mism. The report singled out the UK for having made a firm commitment to increase it devotes to aid. A pledge to reverse falling aid spending was also included in the Ger-Canada and Japan were

ing fell sharply in cash terms, but this was partly because its payments to israel were no longer classi-

fied as development aid. The Nordic countries and the Netherlands remained by far the most generous aid donors in 1997, with each of them easily exceeding the UN target. Denmark was the most generous, giving 0.97

The US is the least generons aid donor at 0.09 per the only G7 countries to cent of national income,

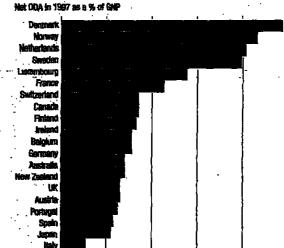
national income, but the out between the Department for International Development and the Treasury mean this is set to rise to 0.3 per

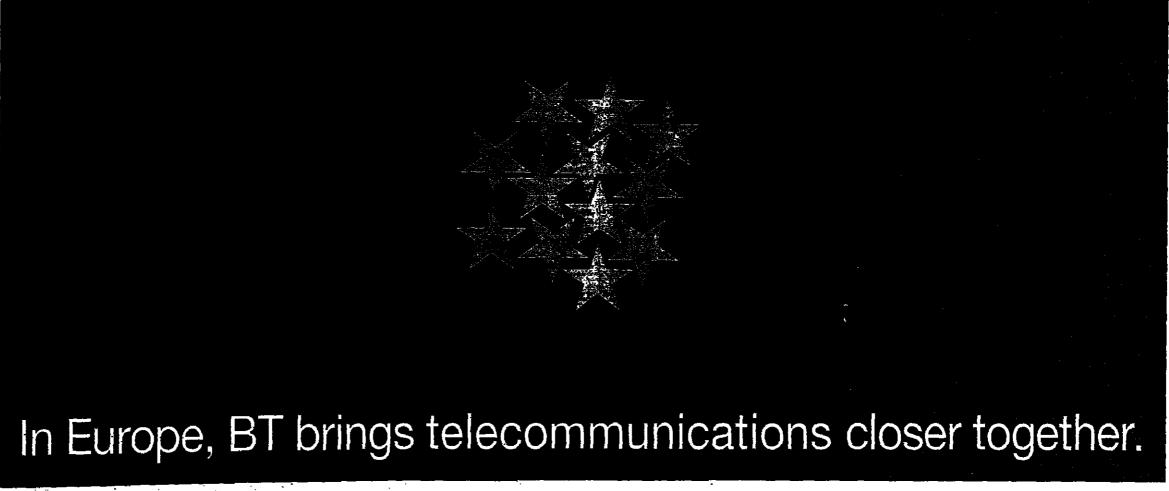
cent by 2001. the fact that many donors tional targets for poverty

ing basic health and education, good governance and

taking the opposite approach foreign affairs. Aid implementation is also being entrusted increasingly to

presence in developing countries, mirroring the reforms undertaken at multilateral agencies such as the World Bank. But some are reducing their presence in the field to





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BoJ under pressure to buy more bonds

By Michiyo Nakamoto and Naoko Nakamae in Tokyo

Pressure on the Bank of Japan (BoJ) to buy government debt increased vesterday as Hiromu Nonaka, chief cabinet secretary, called on the central bank to consider increasing its market pur-

The move by Mr Nonaka. most powerful politicians in said. The bank had "the the ruling Liberal Democratic party, is the first current serious situation by unequivocal call by a top- considering various means, the finance ministry have ranking government official

more Japanese government hope (the proposal) will be bonds (JGBs). It also comes just before the bank's inde- the week." he said. pendent policy board meets on Friday.

"Even if there are great difficulties from the perspective of the BoJ law or the Fiscal law, I think responsibility for breaking out of the present severe situation responsibility to resolve the including buying govern- strongly opposed any sugges-

discussed by the BoJ within

Mr Nonaka's comments reflect growing unease within the LDP that rising long-term interest rates could dent the recovery that Keizo Obuchi, the prime minister, has pledged this year. But the chief cabinet the chief government rests with the BoJ, as the secretary stopped short of spokesman and one of the central bank," Mr Nonaka calling on the BoJ to underwrite JGBs, which is illegal Both the central bank and

directly underwrite JGBs. Eisuke Sakakibara, vice finance minister, yesterday said it was "an absurd idea and should not be done".

But Mr Sakakibara indicated the BoJ could increase market purchases of JGBs. The idea is opposed by many BoJ officials who believe the bank must maintain its independence from politicians.

But Mr Nonaka's comments suggested to the opposition Democratic party that the LDP had struck a deal

tions that the BoJ should purchases of government bonds. Last week, bond yields shot up over 30 basis points amid growing concern about the large level of government debt issuance.

Yesterday, the yield on the benchmark 10-year government bond fell over 20 basis points to 2.16 per cent on hopes that the central bank might be forced to step in. The market was buoyed by

hopes that the BoJ would change its stance at its monetary policy meeting on Friday, said Masuhisa Kobaywith the central bank for it ashi, fixed income strategist to double current market at Mertill Lynch in Tokyo.

Japanese probe on sensitive exports

By Michiyo Hakamoto in Tokyo

Hitachi Electronics, the precision instruments maker, is being investigated on suspicion of illegally exporting to China instruments that could be used to produce nuclear weapons.

Japanese police yesterday ent documents to prosecutors on Hitachi Electronics subsidiary of Hitachi, the large integrated electronics company - and Ryokosha, another precision instruments maker and exporter. relating to alleged illegal China in violation of Japanese law.

Telecomparators are used to measure microscopic compounds but can also be used to manufacture equipment to extract plutonium for nuclear weapons.

The move by the police indicates the authorities are closer to charging Hitachi Electronics and Ryokosha with violating Japan's

export control laws. The revelations come in the wake of growing concern in the US that sensitive technology that could be used for military purposes was transferred to China through commercial satellite busi-

Hitachi Electronics and Ryokosha are alleged to ave conspired to report falsely that the instruments were destined for South Korea. Police believe the instruments were shipped through South Korea to conceal the fact that they were being shipped to China

The two companies are said to have sold 18 telecomparators worth about Y230m. (\$2m) to a factory in Harbin, China. Ryokosha is further suspected of despatching employees to the Harbin factory for technical instruction, without obtaining gov ernment authorisation police say.

Japan has strict rules regarding the export of products and technologies that can be used for military purposes. However, Japanese police have indicated that they believe cases where illegal exports come to light are only the tip of the iceberg. Police have already

detained a former senior managing director of Ryakosha for allegedly arranging violation of Japan's foreign exchange law.

"Considering our social standing and responsibility, it is highly regrettable" that the case has been referred to prosecutors, Hitachi Electronics said yesterday. Ryokosha said that it was "co-operating fully with the investigations".

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

NEWS DIGEST

CENTRAL BANK

New Zealand switches monetary control system

The Reserve Bank of New Zealand is to abandon its controversial attempt to control monetary conditions through setting broad targets through an index (the MCI) and switch to a more traditional fixed cash-rate achema.

The MCI has been widely ignored by the financial maykets since the central bank's last statement in mid-Decamber. In recent weeks the index has been running at around minus 200, instead of the bank's desired target of minus

The new system, broadly the same as used by the Farieral Reserve of the US and the Reserve Bank of Australia will introduce a cash system from March 17, the date of the RBNZ's next economic statement. The cash rate will be reviewed every six weeks, and the RBNZ will set a 50basis-point band.

The bank said the change was a technical one to make the implementation of monetary policy simpler and easier to understand. But the Bank of New Zealand last night said it doubted this. The (MCI) system simply didn't work, particularly in the face of large external shocks. Much of the excessive volatility in interest rates last year was completely unnecessary, and we expect it had some harmful impact on growth," the BNZ said. "The RBNZ has welled away from the MCI... in effect it will be downgraded in influence to that of other indicators of financial conditions. such as credit spreads; yield curve, asset prices end so on. We applaud the move." Terry Hall, Wellington Currencies & Money, Page 27

HONG KONG

Dispute looms with Beiling

Hong Kong looked on course for a serious constitutional dispute with the Chinese government after mainland officials sharply criticised an historic judgment by the territory's Court of Final Appeal.

The ruling late last month was widely regarded as the most significant affirmation of Hong Kong's legal autonorny since it reverted to Chinese rule in July 1997, asser ing that the Court of Final Appeal could disregard National People's Congress laws that affect Hong Kong II they were inconsistent with Basic Law, the territory's posthandover constitution.

"This is a violation of the Basic Law. It is a very serious matter. The decision needs to be changed," a senior Chinese official who declined to be named said yesterday.

The Chinese government publication Legal Daily, meanwhile, quoted Xiao Yang, the president of the Suprema People's Court in China, as saying that "courts of all levels throughout the country must strengthen their contact with the people's delegates (to the National People's Congress) and actively accept the supervision of the NPCT.

Hong Kong's Democratic party, its leading political organisation, said the departure from China's non-interfer ence in Hong Kong could lead to "a constitutional crisis". Rahul Jacob, Hong Kong, and James Kynge, Beijing

TAIWAN ECONOMY

Growth forecast cut

Taiwan's government yesterday cut its forecast for 1999 economic growth to 4.74 per cent and said the island's economic expansion in 1998 was its weakest in 16 years. Economists said low consumer confidence and a profit drought affilcting manufacturers meant the new 1999

Growth in the last quarter of the year was an unexpectspread fears for the health of the economy that have helped to send the main Taiwanese stock index plunging on Sunday short-term measures to bolster the market that included a relaxing of rules on margin trading, steps to increase market transparency and rewards of up to T\$3m

Self-confident India unmoved by US nuclear growling

Jaswant Singh, India's foreign minister, is interviewed by Peter Montagnon

foreign minister, almost moved by their desire to shudders with distaste at punish India for last year's the thought. He wants nothing so cheap as "a deal" with the US on the lifting of economic sanctions imposed as to win the day. Both sides a result of India's nuclear know the risk of striking a tests last Mav.

Instead, he says he is aiming for acceptance by Washington of India's claim to be a responsible nuclear power and its earnest desire not to get in the way of global nonproliferation efforts. Thereafter it is up to the US to lift the sanctions if it so wishes, but the hope remains that Washington will then enter a new era of close relations with the world's largest democracy.

Slight and soft-spoken, his physical presence masks a steely determination and the confidence of a well thoughtout position. It is difficult to imagine him losing his temper as he knots his bushy evebrows together in patient search of the right formula-

But his even temper must make some of the more raucous elements of the US Congress gnash their teeth in

aswant Singh, India's frustrated fury. He is not

Diplomats say they now expect Mr Singh's approach definitive deal which could be torn apart by political

Instead the effort now looks likely to be incremental with a gradual elimination of differences leading ultimately to a visit to the region by President Clinton, the first by a US President since Jimmy Carter in 1976. A start, some believe, could come quite soon with the lifting of restrictions on World Bank lending.

tendency to set standards for telling India to do this, that and the other are counterproductive," he says. "We as

This is not to say that

in the bilateral talks, is it to decide, he says. But he ability to reassure on the

ments as national commit-

of this view, he says, rather than any trade-offs involving shifts in intrinsic positions. India continues to argue that its posture on nuclear deployment will be passive minimum deterrent, no arms trade, no first use, no use against non-nuclear states and that it has an "impeccable" record on export con-

trols. It is willing to sign up to an enforceable treaty on fissile material production. which Mr Singh argues is more effective that a nonverifiable unilateral declaration of intent to limit pro-

duction. But it is not prepared to abandon its missile programme, which does not go beyond the development of an advanced Agni mediumrange missile, and it continues to believe that third-India is happy with the US party involvement in its dis-Kashmir is counter-produc- ter relationship. "Prescriptive statements tive and destabilising, "It would be a negative development if Pakistan were permitted to ride into the valley India arrive at our commit- of Kashmir piggy-back on

non-proliferation. When the US chooses to



That said, Mr Singh admits to an acute awareness of the challenge to India's own diplomacy posed by the tests. As an energypoor country, it needs to collaborate with others in the What has secured progress lift sanctions is a matter for civilian nuclear field. The

since India - as a declared but not recognised nuclear state - cannot be part of the non-proliferation treaty (NPT), which governs exchanges of technology.

"An answer has to be found," Mr Singh says. "The NPT is a no-entry area. We have to work our way Washington's understanding is encouraged by Washing- proliferation front is thus around that difficulty."

Battling Anwar takes the stand at last

in Kuala Lumpur

After five months behind cage at the centre of the sacked deputy prime minispale, his hair visibly thinning. But when he was able yesterday finally to take the stand and defend himself against almost four months of prosecution charges, the confident, even cocky, spirit lery duly laughed. that once embodied the second most powerful man in Anwar might have hoped

Malaysia shone through.

been confined - to the witness stand in front of the judge. When asked his address, he joked that it was the prison in which he is being held. Supporters, investigating corruption. human rights observers and journalists in the public gal-

Mr Anwar briskly made ney general took over the to bar the defence attorney from pursuing questioning trying to prove Mr Anwar was the victim of a conspiracy by those he crossed in

"As chairman of the committee on management and ery duly laughed. good governance, my respon-But it was not the day Mr sibility is heavy and diffi-

including accusations involving ministers, senior officers and even the prime minister himself." Mr Mohtar insisted the committee's

work was irrelevant. The defence said it would continue to try to prove a conspiracy against Mr Anwar, who was detained cult, and not liked by many after leading a protest by

for. Mohtar Abdullah, attor- people," Mr Anwar said. thousands of Malaysians "This is because the commit- against Mahathir Mohamad. his way from the wooden prosecution and succeeded tee has accepted so many the prime minister, and subin convincing Augustine complaints on government sequently beaten by police.

> sexual misdeeds and related abuse of power. He says the case is to punish him for becoming a potential challenger of Dr Mahathir's 18year reign. Hundreds of Malaysians stood outside the courthouse once more to protest against the case, which has divided

growth prediction could still prove too optimistic.

The government's statistics office reported that preliminary data showed gross domestic product expanded 4.83 1982.

edly small 3.71 per cent, a figure likely to stoke widein recent weeks. The Ministry of Finance announced late (US\$93,000) for those who assist a new crackdown on rumour-mongering. Mure Dickle, Taipel

Asian crisis places health of Singapore hospitals at risk

Sheila McNulty explains why the country's private health sector is suffering

son Medical Centre in Singapore, there is is a picture of a stork carrying a notice detailing the fees for a range of birth delivery options in the maternity wing. That way expectant parents on the way in get to know exactly what they will pay on the way out.

The economic crisis in the region has made it essential to give patients that sort of bottom-line knowledge to maintain Singapore's status as a regional health care

Many, particularly those from the hard-hit countries of Indonesia and Malaysia. have stopped coming to the city-state for the routine care they once favoured as a higher standard than that offered in their own countries. And even Singaporeans who once opted for prihospitals are increasingly seeking public care or cutting costs by choosing, for example, to stay in a four-person instead of a two-person room. Singapore's private health care

industry is hurting. "People have lowered their sights," says Lee Cheow Seng, chief executive officer of Thomson Medical Centre and chairman of the Singapore Private Hospitals Group. "Everyone is so concerned about what is the bot-

pore's key services to the

In the elevator of the Thom- region, generating nearly S\$3bn (US\$1.8bn) in annua turnover, with patients arriving from as far away as India. The government has committed large sums toward its development with latest data showing it invested S\$4bn in 1997, 2.8 per cent of gross domestic

product Now the economic crisis has helped reduce the number of foreign patients in Singapore's private hospitals from 25-35 per cent of total patients to 15-20 per cent, while also pushing the usual 65 per cent occupancy rates below 60 per cent.

At a time when retrenchments and business failures are commonplace in the region, Yeo Cheow Tong, minister of health, says the public facilities are heavily occupied at the expense of private institutions.

"The challenge is for them to ensure they are able to review charges and ensure they are not over-pricing themselves." Mr Yeo savs. He seems confident the private hospitals will continue trying to meet that challenge. "Nothing stimulates creativeness like the need

"Private hospitals have essentially been sustained by foreign visitors," says Song Seng Wun, regional economist at G.K. Goh Research in Singapore. "In Healthcare is one of Singa- the old days, Indonesians



SPECIAL DELIVERY PACKAGE

\$1,130 \$1,050 \$1,010 \$950 \$1,794 \$1,598 \$1,278 \$1,218 \$1,12B \$1,604 \$1,340 \$1,260 \$1,220 \$1,180 \$2,004 \$1,603 \$1,488 \$1,428 \$1,558 \$2,688 \$2,160 \$2,000 \$1,920 \$1,800 \$5,080 \$2,428 \$2,228 \$2,128 \$1,978

monthly check-up. Not any

Many private hospitals have responded by reducing room rates by 10 per cent and being increasingly pragmatic when making equipment purchases, basing decisions on potential usage instead of an urge to keep up with new technology.

Many private hospitals are putting together packages like Thomson's delivery one that, based on accommodation and other variables, give patients the option of choosing how much they want to pay and the comfort of knowing exactly what the bill will be.

All the private hospitals have instituted some form of staff cuts and the annual bonuses that were routine in recent years are not in all cases being paid.

The government's nationwide 15 per cent wage-cutwould come just for their ting campaign (aimed at and doing research

restoring the competitiveness Singapore lost when regional currencies depreciated far further than its own) will provide further relief to the industry this year, considering that the bulk of the private hospitals operating costs are in staff. Mr Lee acknowledges that

the crisis may have lost Singapore some patients for ever. "Some people may realise they have good enough care in their own countries, come to Singapore for a higher level of expertise when needed. "Eventually, we will have to regionalise to tap into patients in their OWIL COUNTRIES."

Mr Yeo says the public sector will concentrate on maintaining its hub status by continuing to build Singapore's health care expertise by investing in the training of doctors and specialists

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	Herror Money (Mr)	Street Manay (AZ)	Short Interest Page	Long Interest Rade	Equity Marist Yield	Memori Money IMG	Broad Micropy BM2+CDsi	Mert Meret Rele	Long Selection	Squity Marint Vield	Narrow Money Okty	None:	Short Interest Page	Long Interest Rate	Equity Macter Yes
1999	1.0	4,2	8.89	8.50	3.43	4,1	10.6	5.31	5.16	0.48	6.3	5.7	7.12	6.90	2.22
1990 1991	3.6 6.0	5.5 3.7	90.8	8.55	3.60	26	- 8.5	7.62	6.90	0.65	4.5	4.5	8.49	8.66	211
1992	12.5	1,9	5.87 3.75	7.86 7.00	3.21 2.95	5.2 4.5	- 20 -0.4	7.21 3.78	6.40 5.24	0.75 1.00	5.1 7.0	5.6 8.1	9,25 9,52	8.42 7.80	2.38 2.45
993	11.6	1.1	3.22	5.86	2.78	3.0	1.4	2.95	4.18	0.87	9.4	7.B	7.28	6.47	211
1994	6.2	1.4	4.67	7.08	2.86	5.4	2.9	2.23	4.20	0.78	9.6	9.0	5.36	6.86	-1.77
1995	-0.2	2.1	5.93	6.57	2.61	8.2	3.2	1.22	3.39	0.86	3.7	. 0.6	4.53	. 6.82	2.00
1996 1997 ·	-32 -33	4.8 5.0	5.41 5.59	6.43 6.34	2.15 1.73	13.7 8.8	29. 3.8	0.58 0.59	3.03	0.75	10.4	7.5	3.31	8.21 5.65	1.81
1998	0.9	7.5	5.38	5.26	1.46	. 8.1	3.6	0.72	2.\$4 1.49	0.87 1.01	- 8.4	6.2 4.4	3.32 3.54	5.00 4.56	1.31
lst qtr.1998	0.0	6.5	5.47	5.60	1.51	9.5	4.5	0.94	1.88	0.97	5.1	3.6	3.54	5.01	1,32
2nd qtr.1998	1.3	7.2	5.50	5.59	1.42	7.9	3.4	0.64	1,65	0.89	6.3	4.0	3.61	4.89	1.22
3rd qtr.1998	0.6	7.4	5.45	5.19	1.47	7.5	3.8	0.68	1.39	1.03	6.0	42	3.51	4.39	1.25
4th qtr.1998	1.8	8.7	5.10	4.66	1.42	7.3	3.9	0.61	1.09	1.07		5.6	3.52	4,00	1.44
February 1998 March	0.0 0.8	6.6 8.8	5.46 5.48	5.61 5.64	1.51 1.44	10.3	5.0	1.04	1.76	0.95	5.3	3.4	3.51	4.99	1.31
Aorii Aorii	1.4	7.0	5.48	5.63	1.41	8.5 8.1	4.5 3.6	0.64 0.71	1.62 1.62	0.96	. 5.5 7.2	4.0	.3.52 3.63	4.90	1.26
May	1.4	7.2	5.51	5.66	1.42	8.0	3.9	0.62	1.37	0.99	5.6	3.7	3.63	4.96	1.23
kma	1.1	7.3	5.51	5.49	1.42	7,4	3.4	0.80	1.28	1.01	6.1	4.3	3.56	4.80	7.19
July Assessed	. 0.7 0.0	73 72	6.50 5.50	5.45 5.33	1.37	8.1	3.5	0.74	1.42	0.95	5.0	4.2	3.54	4.69	1.14
August September	0.9	7.8	5.35	4.80	1.48 1.58	7.9·.	3.8 3.8	0.75 0.55	1.47	1.02	5.9	4.0	3.50	4.42	1.22 1.38
October	1.7	8.4	5.10	4.52	1.56	7.6 8.8	3.9	0.58	1.05 0.86	1.11 1.16	7.2 8.1	4.5 5.0	3.49 3.57	4.04 4.03	1.53
November	2.0	8.8	6.15	4.84	1.39	7.7	4.3	0.82	0.92	1.02	8.0	5.5	3.63	4.10	1.38
December January 1999	1.7	9.1	5.07 4.82	4.65	1,33 1,27	5.8	3.9	0.82	1.47	1.03		8.2	3.37	3.87	1,39
OBIOTY 1000		<u> </u>	-1.02	- 4671	1.27			0.67	1.86	1.05			3.14	3.72	1,31
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	FRANCE	•			•	ITALY					UNITED I	(INCD)	M		
	Marou Marou Marou Prij	Broad Noney (MS)	Short - Interest Rafe	Long Interest Rate	Equity Name Yarki	ITALY Restor Heavy \$41)	Breat Money (AC)	Short. Instruct Rate	Long Helever Rate	Equity Mariet Visit	Narrow Money	Breed	Start Start Interest Rate	Long Interval Pado	Gody Nachal
	Marrow Movey pro 7.6	Proed Noney (NE)	Rate 9,40	Rete 8.79	2.88	Manuer Manuer	Money	Institut	Painters Plain	Yeld	Harrow Money Judg	Brand Money (MA)	Stort	Long Interest Pada 10.11	Spoky Mechali Yarki 4,36
1990	Marrow Money ptrij 7,6 3,8	Proof Noney (AU) 10.0 9.3	9.40 10.32	8.79 9,92	2.88 3.19	Manue Manue peri 7.2 9.2	5.5 7.0	12.42 11.98	11,61 11,87	2.46 2.84	Names Money And 5.9 5.3	Brand Money 944 17,4 15,8	Start Interest Fade 13.96 14.82	10.11 11.58	4,36 5,07
1990 1991	Marrow Manage partit 7.6 3.8 -4.7	10.0 9.3 2.3	9.40 10.32 9.62	8.79 9.92 9.03	2.88 3.19 3.58	7.2 9.2 7.3	5.5 7.0 5.9	12.42 11.98 11.83	11,61 11,87 13,20	2.46 2.84 3.45	Names Money 440 5.9 5.3 2.4	Brand Mitney 944 17,4 15,9 7,9	Start Interest 13.95 14.82 11,58	10.11 11.56 10.08	4,36 5,07 4,97
1990 1991 1992	Marrow Money ptrij 7,6 3,8	Broad Noney (MQ 10.0 9.3 2.3 5.4	9.40 10.32	8.79 9.92 9.03 8.57	2.88 3.19 3.58 3.55	7.2 9.2 7.3 6.8	5.5 7.0 5.9 3.1	12.42 11.98 11.83 13.86	11,81 11,87 13,20 13,29	2.46 2.84 3.45 3.63	Narrow Manage (Art) 5.9 5.3 2.4 2.4	Brand Noney 944 17,4 15,9 7,9 5,1	Start Interest 13.95 14.82 11,58 9,74	10.11 11.56 10.08 9.09	4,36 5,07 4,97 4,91
1990 1991 1992 1993 1994	Marrow Manage perg 7.8 3.8 -4.7 -0.3 1.1 2.5	10.0 9.3 2.3 5.4 -3.0 1.7	9.40 10.32 9.62 10.36 8.55 5.84	8.79 9.92 9.03 8.57 6.75 7.21	2.68 3.19 3.58 3.55 3.21 2.99	7.2 9.2 7.3	5.5 7.0 5.9	12.42 11.98 11.83	11,61 11,87 13,20	2.46 2.84 3.46 3.63 2.35	Names Money 440 5.9 5.3 2.4	17,4 15,9 7,9 5,1 3,5	Start Interest 13.95 14.82 11,58	10.11 11.56 10.08	4,36 5,07 4,97 4,91 4,01 3,94
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1990 1991 1992 1993 1995 1995 1996 1997 1998 1st qtr.1998 2nd qtr.1998	Marrow Manage PM 7.8 3.8 -4.7 -0.3 1.1 2.5 7.2 0.8 8.4	9700d Noney (MS) 10.0 9.3 2.3 5.4 -3.0 1.7 4.4 -3.7 1.7	9.40 10.32 9.62 10.36 8.55 5.84 8.60 3.94 3.46	8,79 9,92 9,03 8,57 6,57 7,21 7,53 8,32 5,56	2.88 3.19 3.58 3.55 3.21 2.99 3.17 3.05 2.58 2.20	7.2 9.2 9.2 7.3 6.8 4.7 6.6 0.4 1.0 8.8 10.5	5.5 7.0 5.9 3.1 2.8 3.6 -1.8 0.2 9.7 7.2	12.42 11.98 11.83 13.86 10.22 8.48 10.38 8.75 6.83 4.95	11.81 11.87 13.20 13.29 11.23 10.56 12.22 9.43 6.83 4.90	2.46 2.84 3.46 3.63 2.35 1.87 1.72 2.19 1.91 1.97	Narrow Money 340 5.9 5.3 2.4 2.4 4.9 6.4 5.9 6.7 6.2 6.1	17.4 15.9 7.9 5.1 3.5 5.1 7.3 10.0 11.2 9.8	Start blarest Pate 13.95 14.82 11.58 9.74 5.99 5.57 6.11 6.94 7.41	10.11 11.56 10.08 9.09 7.40 8.01 8.16 7.79 7.02 5.52	4,36 5,07 4,97 4,91 4,01 3,94 4,15 4,08 3,59
1990 1991 1992 1993 1994 1995 1996 1997 1998 1st qtr.1998 3rd qtr.1998	Narrow Manage project 1	Broad Namey (MQ) 10.0 9.3 2.3 5.4 -3.0 1.7 4.4 -3.7 1.7 2.7	9.40 10.32 9.62 10.36 8.55 5.84 8.60 3.94 3.46 3.56 3.58 3.58	8.78 9.92 9.03 8.57 6.75 7.21 7.53 6.32 5.56 4.64	2.88 3.19 3.58 3.55 3.21 2.99 3.17 3.05 2.58 2.20	7.2 9.2 7.3 6.8 4.7 6.6 0.4 1.0 8.8 10.5	5.5 7.0 5.9 3.1 2.8 3.6 -1.8 9.7 7.2	12.42 11.98 11.83 13.86 10.22 8.48 10.38 8.75 6.83 4.95	11.81 11.87 13.20 13.29 11.23 10.56 12.22 9.43 6.83 4.90 5.36 5.16	2.46 2.84 3.45 3.63 2.35 1.87 1.72 2.19 1.91 1.87	Narrow Money 2010 5.9 5.3 2.4 2.4 4.9 6.4 5.9 6.7 6.2 6.1	17.4 15.9 7.9 5.1 3.5 5.1 7.3 10.0 11.2 9.8	Start Island: Rate 13.96 14.82 11.58 9.74 5.99 5.57 6.11 6.94 7.41 7.55 7.57	10.11 11.56 10.08 9.09 7.40 8.01 8.16 7.79 7.02 5.52	4.36 5.07 4.97 4.91 4.01 3.94 4.15 4.08 3.03 3.03 2.85 3.06
1990 1991 1992 1993 1994 1995 1996 1997 1998 1st qtr.1998 3rd qtr.1998	Narrow Manage P10 7.6 3.8 -4.7 -0.3 1.1 2.5 7.2 0.6 8.4 3.0 9.9	Broad Namey (MQ) 10.00 9.3 2.3 5.4 -3.0 1.7 4.4 -3.7 1.7 2.7	9.40 10.36 9.62 10.36 8.55 5.84 8.60 3.94 3.46 3.56	8.79 9.92 9.03 8.57 6.75 7.21 7.53 8.32 5.56 4.64	2.88 3.19 3.58 3.55 3.21 2.99 3.17 3.05 2.58 2.20	7.2 9.2 7.3 6.9 4.7 6.8 1.0 8.8 10.5	5.5 7.0 5.9 3.1 2.8 3.6 -1.8 0.2 9.7 7.2	12.42 11.98 11.83 13.86 10.22 8.48 10.38 8.75 6.83 4.95	11.81 11.87 13.20 13.29 11.23 10.56 12.22 9.43 6.83 4.90	2.46 2.84 3.46 3.63 2.35 1.87 1.72 2.19 1.91 1.97	Narrow Money 340 5.9 5.3 2.4 2.4 4.9 6.4 5.9 6.7 6.2 6.1	17.4 15.9 7.9 5.1 3.5 5.1 7.3 10.0 11.2 9.8	Start blarest Pate 13.95 14.82 11.58 9.74 5.99 5.57 6.11 6.94 7.41	10.11 11.56 10.08 9.09 7.40 8.01 8.16 7.79 7.02 5.52 6.02 5.80	4.36 5.07 4.97 4.91 4.01 3.94 4.15 4.08 3.59 3.03
1990 1991 1992 1992 1995 1995 1996 1997 1998 1st qtr.1998 2nd qtr.1998 4th qtr.1998 4th qtr.1998	Narrow Manage 940 7.6 3.8 -4.7 -0.3 1.1 2.5 7.2 0.8 8.4 3.0 9.4 9.9 8.7	Prosed Noney (MS) 10.0 9.3 2.3 5.4 -3.0 1.7 4.4 -3.7 1.7 2.7 4.3 4.7 4.9	9.40 10.32 9.62 10.36 8.55 5.84 8.60 3.94 3.46 3.56 3.56 3.57	9.92 9.92 9.057 6.75 7.21 7.53 8.32 5.56 4.64 5.03 4.95 4.10	2.68 3.18 3.58 3.57 3.07 3.07 3.07 3.07 2.58 2.20 2.20 2.18 2.18 2.40	7.2 9.2 7.3 6.8 4.7 6.8 0.4 1.0 8.8 10.5	5.5 7.0 5.9 3.1 2.8 3.6 -1.8 0.2 9.7 7.2 9.0 10.4 6.8 2.7	12.42 11.98 11.83 13.86 10.28 8.48 10.38 8.75 6.83 4.95 5.81 4.91 3.92	11.81 11.87 13.20 13.29 10.56 12.29 9.43 6.83 4.90 5.36 5.17 4.32	2.46 2.84 3.46 3.63 2.35 1.67 1.72 2.19 1.91 1.37	Narrow Money 240 5.9 5.3 2.4 2.4 4.9 6.4 5.9 6.7 6.2 6.1 6.8 6.2 6.0	17.4 15.8 7.9 5.1 3.5 5.1 7.3 10.0 11.2 9.8 10.5 9.9 9.5	Start Island Isl	10.11 11.58 10.08 9.09 7.40 8.01 8.16 7.79 7.02 5.52 6.02 5.80 4.79	4.36 5.07 4.97 4.91 4.01 3.94 4.15 4.08 3.03 3.05 2.86 3.06 3.13
1990 1991 1992 1992 1993 1995 1995 1997 1996 1st qtr.1998 2nd qtr.1998 3rd qtr.1998 4rd qtr.1998 February 1998 March	Narrow Manage Pt 1	970ed 10,0 9.3 5.4 -3.0 1.7 4.4 -3.7 2.7 4.3 4.7 4.9	9.40 10.32 9.62 10.36 8.55 5.84 6.60 3.94 3.56 3.56 3.58 3.59 3.59 3.57 3.57	8.78 9.92 9.03 8.75 7.21 7.53 8.32 5.58 4.64 5.03 4.95 4.95 4.10	2.68 3.19 3.58 3.57 3.05 2.58 2.58 2.40 2.23 2.40 2.23	7.2 9.2 7.3 6.9 4.7 6.6 0.4 1.0 8.8 10.5 13.2 10.3 9.6 8.5	5.5 7.0 5.9 3.1 2.8 3.6 -1.8 0.2 7.2 9.0 10.4 6.8 2.7	12.42 11.98 11.83 13.86 10.22 8.48 10.38 8.75 6.83 4.95 5.11 4.91 3.92 8.09 5.56	11.81 11.87 13.20 13.20 10.58 12.22 9.43 6.83 4.90 5.36 5.18 4.72 5.38 5.21	2.46 2.84 3.63 3.63 2.35 1.67 1.72 2.19 1.91 1.37 1.33 1.23 1.42 1.48	Narrow Money 2010 5.9 5.3 2.4 4.9 6.4 5.9 6.7 6.2 6.1 6.8 6.2 6.0 5.3	17.4 15.9 7.9 5.1 3.5 5.1 7.3 10.0 11.2 9.8 10.6 9.9 9.5 8.6	Start blanus 13.96 14.82 11.58 5.99 5.57 6.11 6.94 7.41 7.55 7.57 7.67 8.87 7.57	10.11 11.58 10.08 9.09 7.40 8.01 8.01 8.01 7.79 7.02 5.52 6.02 5.50 4.79	4.36 5.07 4.97 4.91 4.03 4.15 4.08 3.03 3.05 2.85 3.06 3.13
1990 1991 1992 1993 1994 1995 1996 1997 1998 1st qtr.1998 2nd qtr.1998 Rth qtr.1998 Rth qtr.1998 February 1998 March	Marrow Ma	10.0 9.3 5.4 -3.7 4.4 -3.7 1.7 2.7 4.3 4.7 4.9	10.32 9.62 10.35 8.55 5.84 3.46 3.56 3.55 3.58 3.55 3.59 3.55 3.57 3.57 3.63	9.92 9.92 9.03 8.57 6.75 7.21 7.23 5.58 4.64 5.03 4.95 4.52 4.10	2.68 3.19 3.55 3.21 2.59 3.17 3.05 2.58 2.20 2.23 1.98 2.18 2.18 2.18 2.20 2.20 2.20 2.20 2.20 2.20 2.20 2.2	7.2 7.3 6.8 0.4 10.5 8.8 10.5 8.8 10.3 9.6	5.5 7.0 5.9 3.1 2.8 3.6 -1.8 0.2 9.7 7.2 9.0 10.4 6.8 2.7 8.6	12.42 11.98 11.88 11.88 10.22 8.48 10.38 8.75 6.83 4.95 5.11 4.91 3.92 8.09 5.518	11,81 11,87 13,20 13,20 11,23 10,56 12,22 9,43 6,83 4,90 5,56 4,77 4,32 5,38 5,21 5,16	2.46 2.84 3.45 3.63 2.35 1.72 2.19 1.37 1.33 1.23 1.42 1.48 1.19	Narrow Money 2010 5.9 5.3 2.4 4.9 6.4 5.9 6.7 6.2 6.1 6.2 6.0 5.3 7.1 6.6 6.7	17.4 15.9 5.1 3.5 5.1 7.3 10.0 11.2 9.8 10.5 9.9 9.5 8.6 10.0 10.8	Start Index 13.96 14.82 11.58 9.74 15.57 6.11 6.94 7.41 7.55 7.57 6.87 7.51	10.11 11.58 10.08 9.09 7.40 8.01 8.16 7.79 7.02 5.52 6.02 5.80 5.80 5.80 5.80	4.36 5.07 4.97 4.91 4.03 4.15 4.08 3.03 3.05 3.05 3.05 3.05 3.05 3.05 3.05
1990 1991 1992 1992 1995 1995 1996 1997 1998 1st qtr.1998 1st qtr.1998 1th qtr.1998 1th qtr.1998 1th qtr.1998	Narrow Manage Pt 1	Proud Nomey 649 10.0 9.3 5.4 - 3.0 1.7 4.4 - 3.7 1.7 2.7 4.3 4.3 4.9 4.8 4.8	10.32 9.62 10.32 9.62 10.35 5.84 8.60 3.94 3.46 3.56 3.56 3.57 3.67 3.67 3.67 3.67 3.67	8.79 9.92 9.03 8.57 6.75 7.53 8.32 5.56 4.64 5.03 4.95 4.95 4.94 4.94 4.95	2,68 3,19 3,55 3,21 2,99 2,58 2,20 2,23 2,18 2,40 2,23 2,09 2,23 2,09 4,198	7.2 9.2 7.3 6.8 0.4 1.0 8.8 10.5 8.8 10.3 9.6 8.5 10.1 12.9	5.5 7.0 5.9 3.6 -1.2 9.7 7.2 9.0 10.4 6.8 2.7 8.6 9.4 10.0	12.42 11.98 11.88 11.88 10.22 8.48 10.22 8.48 10.83 4.95 5.89 5.11 4.91 3.92 8.09 5.56 5.07	11.81 11.87 13.29 11.23 10.56 12.22 9.43 6.83 4.90 5.18 4.70 5.36 5.18 4.72 5.38 5.21 5.22	2.46 2.84 3.63 2.35 1.67 2.19 1.91 1.91 1.23 1.42 1.48 1.24 1.13 1.26	Name Manage Mana	17.4 15.9 5.1 7.9 5.1 7.3 10.0 11.2 9.8 10.6 10.8 10.8 10.8 10.8 10.8 10.8 10.8 10.8	Sunt beauti 13.96 14.82 11.58 9.577 6.11 6.94 7.41 7.55 7.57 7.67 7.51 7.41 7.48	10.11 11.56 10.08 9.09 7.40 8.01 8.16 7.79 7.02 5.52 6.02 5.80 4.79 8.02 5.80 5.80 5.80	4.36 5.07 4.97 4.01 3.94 4.15 4.08 3.03 3.05 2.85 3.05 2.85 3.13 3.02 2.82 2.82 2.84
1990 1991 1992 1992 1995 1995 1996 1st qtr.1998 2nd qtr.1998 2nd qtr.1998 8td qtr.1998 8td qtr.1998 March April May	Marrow Manage Pt 1	10.0 9.3 5.4 -3.7 4.4 -3.7 1.7 2.7 4.3 4.7 4.9	10.32 9.62 10.35 8.55 5.84 3.46 3.56 3.55 3.58 3.55 3.59 3.55 3.57 3.57 3.63	9.92 9.92 9.03 8.57 6.75 7.21 7.23 5.58 4.64 5.03 4.95 4.52 4.10	2.68 3.19 3.55 3.21 2.97 3.05 2.58 2.20 2.23 2.40 2.23 2.09 2.09 2.09 2.09	7.2 9.2 7.3 6.8 4.7 6.8 1.0 8.8 10.5 8.8 13.2 10.3 9.6 8.5 10.1 12.9 12.8	5.5 7.0 5.9 3.1 2.8 3.6 -1.8 0.2 9.7 7.2 9.0 10.4 6.8 2.7 8.6 9.4 10.7 10.1 10.5	12.42 11.98 11.83 13.86 10.22 8.48 10.38 8.75 6.83 5.51 4.95 5.11 4.95 5.56 5.18 5.09 5.10	11.81 11.87 13.29 11.23 10.56 12.22 9.43 6.83 5.16 4.77 4.32 5.36 5.21 5.16 5.22 5.10	2.46 2.46 3.46 3.46 3.63 2.35 1.67 1.72 2.19 1.37 1.23 1.42 1.48 1.19 1.28 1.28 1.21	Name Manage Mana	17.49 15.9 7.9 5.1 3.5 10.0 10.6 9.9 9.5 10.6 10.8 10.8 10.8 10.8 10.8 10.8 10.8 10.8	Sourt below 13.96 14.82 11.68 5.99 5.57 6.11 6.94 7.41 7.55 7.57 7.67 7.67 7.57 7.57 7.57 7.57	10.11 11.58 10.09 7.40 8.09 7.40 8.16 7.79 7.02 5.52 6.02 5.80 5.80 5.80 5.80 5.80 5.80 5.80 5.80	4.36 5.07 4.97 4.91 4.08 3.94 4.08 3.03 3.05 2.85 3.05 2.85 3.05 2.85 2.82 2.82 2.84 2.90
1990 1991 1992 1992 1993 1994 1995 1996 1996 1998 1st qtr.1998 1st qt.1998 1st qt.1	7.6 3.9 -4.7 -0.3 1.1 2.5 7.2 0.6 8.4 3.0 9.9 9.7 11.8 9.4 10.7 10.6 8.9 8.8 7.6	9road homey 949 10.00 9.3 2.3 5.4 -3.0 1.7 4.4 -3.7 1.7 2.7 4.3 4.7 4.9 4.8 4.9 4.8 4.8 4.8	8.40 10.32 9.62 10.38 8.55 5.84 3.94 3.56 3.56 3.57 3.57 3.57 3.57 3.57 3.57 3.57 3.57	8.79 9.92 9.03 8.57 6.75 7.21 7.53 8.32 5.56 4.64 5.03 4.95 4.95 4.90 4.94 4.95 4.94 4.95 4.94 4.95	2,68 3,19 3,55 3,21 2,99 2,58 2,20 2,23 2,18 2,40 2,23 2,09 2,23 2,09 4,198	7.2 9.2 7.3 6.8 0.4 1.0 8.8 10.5 8.8 10.3 9.6 8.5 10.1 12.9	5.5 7.0 5.9 3.6 -1.2 9.7 7.2 9.0 10.4 6.8 2.7 8.6 9.4 10.0	12.42 11.98 11.88 11.88 10.22 8.48 10.22 8.48 10.83 4.95 5.89 5.11 4.91 3.92 8.09 5.56 5.07	11.81 11.87 13.29 13.29 10.56 12.22 9.43 6.83 4.90 5.36 4.77 4.32 5.38 5.21 5.16 5.22 5.16 5.22 5.16	2.46 2.84 3.45 3.63 2.35 1.67 1.72 2.19 1.37 1.23 1.42 1.48 1.19 1.28	Narrow Money 2010 5.9 5.3 2.4 4.9 6.4 5.9 6.7 6.2 6.1 6.8 6.2 6.0 5.3 7.1 6.6 6.7 6.3 5.5 5.8	15.9 15.9 15.9 15.9 15.1 3.5 5.1 10.0 11.2 9.9 9.5 8.6 10.8 10.8 10.8 9.7 10.8 10.8 10.8 10.8 10.8 10.8 10.8 10.8	Sunt bissuit Rubs 13.95 14.82 11.58 9.557 6.11 6.94 7.41 7.55 7.57 7.57 7.57 7.51 7.48 7.72 7.80	10.11 11.56 10.08 9.09 7.40 8.01 8.16 7.79 7.02 5.52 6.02 5.80 4.79 8.02 5.80 5.80 5.80	4.36 5.07 4.91 4.01 3.94 4.08 3.59 3.03 2.86 3.05 2.86 3.05 2.86 3.05 2.86 2.89 2.89 2.89 2.81 2.90 2.81
1990 1991 1992 1992 1995 1996 1996 1st qtr.1998 2nd qtr.1998 2nd qtr.1998 8th qtr.1998 March April May June July June July June July June July June July June July June July June July June July July July July July July July July	Marrow Ma	#mad http://www.ped 10.0 9.3 2.3 5.4 -3.0 1.7 4.7 4.7 4.7 4.9 4.8 4.7 4.8 4.8 4.8 4.8	8.40 10.32 9.62 10.38 10.38 10.38 10.38 10.39 3.56 3.56 3.56 3.57 3.63 3.57 3.63 3.57 3.57 3.57 3.57 3.57 3.56 3.56	8.79 9.92 9.03 8.57 6.75 7.21 7.53 8.32 5.56 4.64 5.03 4.95 4.10 5.01 4.94 4.96 4.96 4.96 4.96 4.96 4.96 4.96	2.68 3.19 3.55 3.219 3.17 3.05 2.20 2.23 1.98 2.40 2.09 2.09 1.93 1.94 2.14	7.2 7.3 6.9 4.7 6.8 0.4 1.0 8.8 10.5 10.5 10.3 10.1 12.9 12.8 11.8	5.5 7.0 5.9 3.6 3.6 0.2 9.7 7.2 9.0 10.4 6.8 2.7 10.7 10.1 10.5 8.1	12.42 11.98 11.88 13.88 10.22 8.48 10.38 8.75 6.83 5.11 4.91 3.92 8.09 5.18 5.09 5.10 4.85	11.81 11.87 13.29 11.23 10.56 12.22 9.43 6.83 5.16 4.77 4.32 5.36 5.21 5.16 5.22 5.10	2.46 2.46 3.46 3.46 3.63 2.35 1.67 1.72 2.19 1.37 1.23 1.42 1.48 1.19 1.28 1.28 1.21	Name Manage Mana	17.49 15.9 7.9 5.1 3.5 10.0 10.6 9.9 9.5 10.6 10.8 10.8 10.8 10.8 10.8 10.8 10.8 10.8	Sunt beautiful 13.96 14.82 11.58 9.74 7.41 7.55 7.57 6.87 7.59 7.59 7.59 7.59 7.59 7.59 7.74	10.11 11.58 10.09 7.40 8.09 7.40 8.16 7.79 7.02 5.80 5.80 5.80 5.80 5.80 5.80 5.80 5.80	4.36 5.07 4.91 4.01 3.94 4.15 4.08 3.03 2.85 3.03 2.85 3.03 2.85 3.02 2.89 2.89 2.84 2.90 2.87 3.128
1990 1991 1992 1993 1995 1996 1996 1997 1998 1st qtr.1998 3rd qtr.1998 3rd qtr.1998 4th qtr.1998 March April May June June June June June June June June	7.6 3.8 -4.7 -0.3 1.1 2.5 7.2 0.6 8.4 3.0 9.9 8.7 -1.8 9.9 8.7 10.6 8.4 10.7 10.6 8.8 8.4 10.7	Broad Browny 949 10.0 9.3 2.3 5.4 -3.7 1.7 4.3 4.7 4.9 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8	10.32 9.62 10.32 9.62 10.36 8.55 5.84 3.46 3.56 3.57 3.63 3.57 3.57 3.57 3.57 3.57 3.57 3.57 3.5	8,79 9,92 9,02 9,03 8,57 6,75 7,25 8,32 5,58 4,64 4,95 4,95 4,95 4,94 4,95 4,94 4,95 4,78 4,78 4,78 4,78 4,19	2.68 3.58 3.55 3.55 3.29 3.17 3.05 2.58 2.20 2.23 1.58 2.40 2.23 2.04 1.98 1.98 1.98 2.18 2.40 2.19 2.19 2.20 2.20 2.20 2.20 2.20 2.20 2.20 2.2	7.2 7.3 6.9 6.8 0.4 1.0 8.8 10.5 10.3 9.6 9.5 11.6 9.6 9.6 9.9	5.5 7.0 5.9 3.6 3.6 0.2 9.7 7.2 9.0 10.4 6.8 2.7 10.7 10.5 8.4 8.1 8.4 8.1 8.1 8.4 8.1 8.1 8.1 8.1 8.1 8.1 8.1 8.1 8.1 8.1	12.42 11.98 11.88 13.86 10.22 8.48 10.38 8.75 6.83 5.11 4.91 3.92 5.18 5.10 4.93 4.93 4.93 4.94 4.93 4.94	11.81 11.87 13.29 11.23 10.56 12.22 9.43 6.83 12.22 9.43 6.83 4.77 4.32 5.36 5.16 4.77 4.80 4.80 4.80 4.80 4.80 4.80 4.80 4.80	2.46 2.84 3.45 3.63 2.35 1.67 1.72 1.91 1.37 1.23 1.42 1.48 1.19 1.28 1.28 1.36 1.59	Narrow Money 240 5.3 2.4 2.4 2.4 5.9 6.7 6.2 6.1 6.8 6.2 6.7 6.3 5.3 7.1 6.6 6.7 6.3 5.5 6.2 6.2	17.49 15.9 15.9 5.1 7.9 5.1 7.3 10.0 11.2 9.8 9.5 8.6 10.8 10.8 10.8 10.8 10.8 10.8 10.8 10.8	Sunt bissuit Rubs 13.95 14.82 11.58 9.557 6.11 6.94 7.41 7.55 7.57 7.57 7.57 7.51 7.48 7.72 7.80	10.11 11.56 10.08 7.40 8.09 7.40 8.16 7.79 7.02 5.50 5.50 5.60 5.60 5.80 5.80 5.80 5.84 5.54 5.54 5.54 5.54	4.36 5.07 4.91 4.01 3.94 4.03 3.03 3.05 2.89 2.89 2.89 2.89 2.89 2.89 2.89 2.89
1990 1991 1992 1992 1995 1996 1996 1997 1998 1st qtr.1998 1st qtr.1998 1th qtr.1998 1th qtr.1998 March Ally June June July August Septomber October	Marrow Ma	#mad http://www.ped 10.0 9.3 2.3 5.4 -3.0 1.7 4.7 4.7 4.7 4.9 4.8 4.7 4.8 4.8 4.8 4.8	8.40 10.32 9.62 10.38 8.55 5.84 3.94 3.56 3.56 3.57 3.57 3.57 3.57 3.57 3.57 3.58 3.54 3.58	8.79 9.92 9.03 8.57 6.75 7.53 8.32 8.32 4.95 4.94 4.94 4.94 4.94 4.94 4.94 4.94	2.68 9.158 3.55 3.29 2.31 2.58 2.20 2.23 1.518 2.40 2.23 1.98 2.40 2.41 2.41 2.41 2.41 2.41 2.41 2.41 2.41	7.2 9.2 7.3 6.8 0.4 10.5 8.8 10.5 10.3 9.6 8.5 10.1 12.9 12.8 14.1 11.8 9.6 9.9	5.5 7.0 5.9 3.1 2.8 3.6 0.2 9.7 7.2 9.0 10.4 6.8 2.7 10.1 10.5 8.1 8.4 8.1 8.1 8.2 9.2	12.42 11.88 13.86 10.28 8.75 8.75 8.75 5.89 5.11 4.95 5.56 5.10 4.95 4.96 4.96 4.96 4.96 4.93	11.81 11.87 13.29 11.23 10.56 12.22 9.43 6.83 4.90 5.18 4.72 5.38 5.21 5.22 5.10 4.80 4.80 4.83 4.43	2.46 2.46 3.43 3.63 2.35 1.67 1.72 1.91 1.37 1.33 1.23 1.42 1.48 1.18 1.26 1.31 1.28 1.36 1.31 1.28 1.31	Narrow Money 240 5.3 2.4 4.9 6.4 5.9 6.7 6.2 6.0 5.3 7.1 6.5 6.7 6.3 5.5 5.8 6.2 5.2 5.8 6.2 5.2 5.8 6.2 5.2 5.2 5.2 5.2 5.2 5.2 5.2 5.2 5.2 5	15.9 15.9 15.9 15.9 15.9 15.9 10.0 17.2 8.8 10.6 10.8 10.8 10.8 10.8 10.8 10.8 10.8 10.8	Sunt bissuit Rubs 13.98 14.82 11.58 9.74 7.41 6.94 7.41 7.55 7.57 7.57 6.87 7.51 7.48 7.72 6.87 7.47 7.47 6.87	10.11 11.56 10.08 7.40 8.01 8.16 7.79 7.52 6.02 5.80 4.79 6.02 5.80 4.79 6.02 5.84 5.77 5.84 5.77 5.84 5.77	4.36 5.07 4.91 4.01 3.94 5.03 3.05 3.05 3.05 3.05 3.05 3.05 3.05
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Zeeland switches ry control system

NEWS DIGIST

looms with Beijing

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US DRUGS STRATEGY

NEWS DIGEST

Republicans in plea to convict Clinton

By Mark Suzman in Washington ton had committed perjury ations to come," he warned. behaviour even if they do any decision about censure

yesterday made a final, impassioned appeal to the Senate to convict President Bill Clinton and throw him out of office, insisting he had committed grave, impeachable offences in covering up his affair with Monica Lew-

In a series of brief closing statements, the 13 trial "managers" from the House of Representatives repeated their argument that Mr Clin-

and obstructed justice. They Republican prosecutors warned that if he was not convicted the constitution would be seriously damaged. James Sensenbrenner, a Republican congressman from Wisconsin, said that the prosecutors were not

pursuing a political vendetta against Mr Clinton but believed in the need to protect the rule of law in US "The impact of allowing

the law will be felt for gener-

tors appeared more interested in planning what should follow Mr Clinton's hoped to be able to bring up expected acquittal than lisagainst him. With both charges expected to fall well short of the two-thirds and at least one Republican majority required for conviction, Democrats are trying to drum up Republican support for a censure motion that the president to stand above would allow the Senate to

condemn Mr Clinton's

But the assembled sena- not remove him from office. Tom Daschle, Senate minority leader, said he the censure proposal as soon tening one more time to a as the trial ended. However, recital of the allegations under the body's complex procedural rules that would

> - Phil Gramm of Texas has warned he would try to block any such attempt on the grounds that it was unconstitutional.

require unanimous consent

was the prerogative of the Senate and that it would not try to interfere. Mr Clinton's lawyers also indicated that they expected to keep their closing arguments - which were due to follow the prosecutors - as short as possible. The Senate is expected to begin deliberating the case

Although Democrats and some Republicans favour The White House said that making the proceedings pub-

tomorrow with a final vote

expected as soon as Thurs-

terday whether a formal proposal to do so would be approved by the full Senate.

of Vermont for the Democrats and Ted Stevens of Alaska for Republicans missed the closing arguments to join the US delega tion to King Hussein's funeral in Jordan.

However, they were expec-ted to be back in Washington in time for the start of final deliberations this morn

Further

blow for

Mexico's

Mexico's Institutional

Revolutionary party (PRI) lost yet another state gover-

norship to the leftwing oppo-

sition in elections over the

weekend, raising the pros-

pect of defeat in upcoming

presidential elections in

According to preliminary

lectoral results, Leonel Cota

Montaño, candidate for the

opposition coalition led by the Democratic Revolution-

ary party (PRD), held a 20

percentage point advantage over his leading PRI rival for

the governor's seat in Baja

California Sur. The more

conservative National

Action party (PAN), was

nearly wiped off the elec-

toral map, taking less than 7

per cent of the vote despite

previous strong showings in

Mr Cota Montaño, a for-

mer member of the PRI,

defected to the opposition,

taking several party support-

ers with him, after losing the

Despite assurances by

make the PRI more demo-

cratic, party nominations

have fallen prey to internal

manipulation, say dissident

members. In Baja California

Sur, Mr Cota Montaño

claimed the PRI's candidate

won the nomination with

the tacit backing and finan-

cial support of the current

governor. Nonetheless. the

PRI managed to narrowly

hang on to the governor's

seat in the state of Guerrero

in a second election on Sun-

day. The PRI's candidate.

René Juárez Cisneros, led

the PRD by a slim 4.6 per

cent margin according to

The hotly contested elec-

tions have shown the first

significant challenge to the

PRL The close results, how-

ver. raise the spectre of vio-

lence in the state, where

electoral outcomes are often

thought to be manipulated.

The Popular Revolutionary

Army (EPN), a guerrilla

group based in Guerrero, has

threatened to take up arms

again if there is any evi-

dence of vote tampering

preliminary results.

PRI

in Mexico City

halve problem by 2007 The Clinton administration yesterday outlined a plan to halve the US's drug problem by 2007. Vice-president At Two senators - Pat Leahy

Gore said the strategy would provide hope for youngsters, treatment for prisoners and would crack down on traffick. Mr Gore said drug use by adults was half its 1979 level but when drug dealers still roam our streets and rob our children of their dreams, and drug-related crime still rev-

Clinton outlines plan to

ages so many of our neighbourhoods, we know that we The plan includes nearly \$18bn to be spent this year by the federal government, in a message to Congress, Presi

dent Bill Clinton said that among the positive signs was a

growing view among young people that drugs were risky and a continuing decline in cocaine production oversess. The five parts of the administration plan are educating children, decreasing the eddicted population, breaking the cycle of drugs and crime, securing US borders from drugs and reducing the drug supply. AP, Washington

YENEZUELA CORRUPTION

Chávez reforms security force

Hugo Chávez, who has been Venezuela's president for only a week, yesterday launched an overhaul of the national security force in an early effort to fulfil his campaign pledge of ending corruption and wasteful spending n public institutions.

The state security force, Disip, yesterday withdrew some 400 police officers largely acting as personal bodyguards and chauffeurs for politicians and former public employees, some of them Mr Chavez's political adversaries.

Among the congressmen stripped of their personal sentinels is Henry Ramos Allup, head of the congressional faction of the social democratic Accion Democratica (AD) party, which Mr Chavez has accused of corruption and

spending public funds during decades of government. The Chavez government insists the move will save several million dollars annually and forms part of its plans to cut spending and bureaucracy. Yet many, particularly in the business community, feer Mr Chavez's direct confrontation with political parties and elites could be a source of instability in coming months. Raymond Colltt, Caracas

FILM DISTRIBUTION

US to probe studio tactics

The US Justice Department is investigating film distribution tactics used by leading studios to capture big openingweekend audiences and generate the headlines which attract even more viewers in the following days and

Department officials said letters sent to the studios and cinema chains last week were the first stage of a probe

into "possible anti-competitive" practices.

The marketing ploys include the granting of exclusive exhibition rights in specific regions, and package deals in which a cinema chain can show a likely hit if it also agrees to screen films with a less certain future.

The department letter, which asked for details of deals over the past three years, also asked for information about the studios' financial interests in cinema chains. The questioned practices have evolved in recent years as news stories of box office revenues - big numbers are commonly interpreted as signalling a hit - have tended to supersede critics' reviews as the main factor influencing consumers': choices.

list and some consumer media now use early ticket sales data to declare films hits or misses within days of their launch. As a result, the traditional definition of a "wide" opening - on 800 or more screens - has now expanded to encompass 2,000 or more screens. Christopher Parkes, Los Angeles

stringent safeguards to ensure the quality of their financial

The proposals mark the latest phase in the campaign by Arthur Levitt, chairman of the Securities and Exchange Commission, to boost the quality of American financial

These include a requirement that all members of the committee should be totally independent from the com-

+ 24-3

Ottawa pact puts Quebec further out on a limb

By Edward Aiden in Toronto

The unravelling of Canada's already fragile federation could prove to have been move specifically designed to tie the provinces closer to

The federal government and the nine English-speaking provinces signed a threeyear pact spelling out rules for federal and provincial co-operation on social programme spending. While not a formal constitutional amendment, it will have the identical effect of setting out the rights and obligations of the two levels of government in some of the most important areas of public policy.

But French-speaking Quebec refused to be part of that arrangement, calling it an unwarranted extension of Ottawa's authority into provincial jurisdiction. The province once again

finds itself isolated from the rest of the country, much as it was in 1982 when it refused to sign the new constitution agreed by Ottawa and the other provinces. Even Jean Charest, Quebec

the past few years by

Brazilians with a new-

found confidence in the

future has landed the coun-

try's financial system with a

multi-million dollar head-

Attracted by the lower

interest rate than that for

the Real, middle class Brazil-

ians borrowed US dollars lib-

erally to pay for cars, fridge-

freezers and personal com-

puters. When the Real was

forced to float last month

and fell sharply, servicing

the debt became a night-

Now Brazil's financial

institutions face huge losses

on the estimated 40 per cent

of their loans that are tied to

Celina Vansetti, senior

the dollar in this way.

ally of the federal Liberals, said he would not have signed the agreement.

The undertaking is meant to resolve a continued hastened last week by a source of tension between the two levels of government: while health, education and welfare spending all fall under provincial jurisdiction. Ottawa collects the lion's share of tax dollars and has used that money to assert national priorities in those areas.

Quebec and the other provinces were particularly annoyed by the so-called millennium fund set up last year, which will offer federal aid directly to university students across the country. Last week's deal, sweet-

ened by Ottawa's promise to restore several billion dollars in cuts to healthcare spending, for the first time formally acknowledges the federal government's right to establish national social programmes without provincial consent. In the case of shared-cost programmes, at least six of the 10 provinces must agree before a new initiative is launched.

Quebec had demanded the opposition leader and a close right to opt out of such ini- That resulted in a clash with

The sharp fall in the Real following last month's flotation has

turned cheap consumer loans into an expensive nightmare with

financial institutions facing huge losses. Richard Lapper reports

forming consumer loans

could amount to about 30

per cent - some R\$8bn

(\$4.3bn) - of the total

advanced by banks, financ-

ing and leasing companies.

She says personal consumer

loans and leasing amounted

to about 3 per cent of gross

domestic product at the

beginning of 1998, up from 1

Non-performing loans

have been increasing since

was first hit by the crisis in

"The situation is now

"People with dollar-in-

much worse than it was

dexed loans are very wor-

ried," says Marcelo Medei-

ros, a São Paulo-based

October 1997, when Brazil

per cent in 1994.

before," she says.

binge of borrowing over rating agency, says non-per- ate their loans. "From my



Jean Charest: would not have signed agreement

Ottawa would have been obliged to hand money over to the provinces without any influence on spending.

In winning assent for a stronger role from all but the province, discouraging country. one province. Ottawa is now hoping to reverse what it sees as a gradual erosion of national standards. British Columbia, for

instance, several years ago enacted a three-month province migrants who seek to collect welfare, a move meant to stem the flow of welfare recipients from colder parts of the country.

point of view the more prob-

lems the better but many

vear-old lawyer, for example,

borrowed \$21,000 to buy her

first car nearly two years

ago. She says the fall in the

value of the Real has

increased the amount of her

monthly repayments from

R\$950 to R\$1,600 a month. "I

didn't pay the instalment for

February because it's a very

big increase and we can't

r Madeiros says that

few borrowers sought

financial advice before

contracting dollar loans.

Even more sophisticated bor-

rowers were caught out by

the scale of the devaluation.

Daniela Hammarat, a 27-

people are in difficulty."

tiatives with full financial Ottawa before the province creative response to one of compensation, meaning that finally withdrew the waiting Provincial governments

have also been restricting student loans to provincial residents who study within university students from leaving their home province. While the cracks are still

rather small, Ottawa feared that without a clear agreement, the provinces would continue to enact measures waiting period for out-of- favouring their own residents at the expense of other Robert Howse, a University of Toronto expert on fed-

authority in the rest of the But the day after the agreement was signed, Ottawa was not exactly holding

eral-provincial relations,

out an olive branch to Que bec. Stéphane Dion, the federal minister of intergovernmental affairs, said if Quebec did not want to par-

the fundamental dilemmas

of Canadian politics: how to

satisfy Quebec's demands for

greater autonomy without

severely weakening Ottawa's

PRI nomination for governor. The one-time mayor for ticipate in future shared-cost the capital of La Paz is the programmes, it was under third PRI member in recent no obligation to do so. But months to go on to win a neither, he pointed out. state governorship for the would Quebec get any rival PRD after protesting about the party's undemocratic process for choosing

thinks the agreement is a Brazil suffers hangover after dollar borrowing binge

days. Brazil's embryonic consumer finance market has grown rapidly in recent

R\$1.80 over the past few

The country's financial problems have been deteriorating for more than a year but until last month many Brazilians were still enjoying the relative economic stability ushered in by President Fernando Henrique Cardoso's Real plan in 1994.

With their currency loosely pegged to the dollar and inflation falling to its lowest levels for decades, newly confident Brazilians provided a ready market for banks, finance and leasing companies eager for opportunities to expand.

"Everybody was doing this as a business strategy," says Ms Vansetti, at Moody's. "Making loans was easy and many people went into dol-

Analysts say Brazilian

before recovering to around bank are well provisioned against losses but suggest that some smaller lenders who have grown rapidly in this market segment - could be vulnerable

To make matters worse for

the banks, some Brazilian judges have ruled that borrowers can make repayments at the exchange rate that existed when they took out loans. And last week Brazil's government entered the fray when Renan Calheiros, the justice minister. presented a proposal to the Leasing Companies Association that contracts be frozen until April at the R121 to

the year. "The borrowers are saving we contracted debt based on certain assumptions and we not going to pay for . . . this craziness," says Liege Andre, an insurance agent who has several leasing companies among her clients. "This will be a hell

the dollar rate of the end of

FINANCIAL STATEMENTS

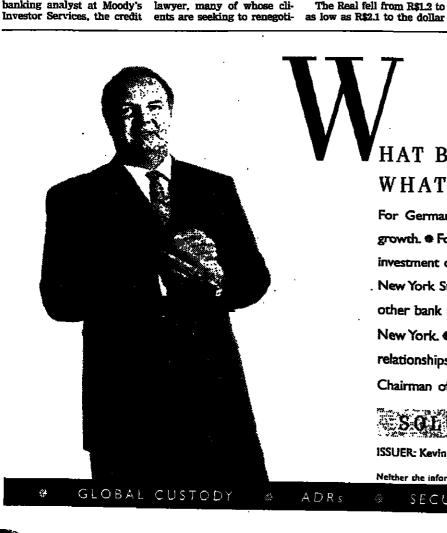
Stringent safeguards urged

The boards of American companies should adopt more statements, a high-level panel set up by Securities and Exchange Commission said yesterday.

The new controls have already received strong support from the New York Stock Exchange and the National Association of Securities Dealers, which operates the Nasdag stock market, making it likely that companies will eventually be forced to follow them.

Yesterday, a committee set up by the SEC last September produced 10 recommendations for how companies should set up and run their audit committees - the boardlevel groups whose job it is to make sure that financial statements are complete and accurate.

pany, and a rule that members of the committee should be "financially literate". Richard Waters, New York



HAT BROUGHT THEM TOGETHER? A FARSIGHTED INVESTMENT. WHAT KEEPS THEM TOGETHER? THE BANK OF NEW YORK.

For Germany's SAP AG, a leading provider of enterprise application software, financial capital is the fuel that propels its growth. For institutional investors, like Simms Capital Management, access to non-U.S. companies like SAP AG broadens their investment opportunities. But how to unite a U.S. investor and a German-based company? The answer is found right on the New York Stock Exchange: the American Depositary Receipt. €The bank that made this possible? The Bank of New York. € No other bank has helped more non-U.S. companies connect with investors in the United States through ADRs than The Bank of New York. Today, more than one thousand companies worldwide are using The Bank of New York to create and maintain relationships with investors. Kevin McKay, Chief Executive Officer of SAP America, and institutional investor Robert Simms, Chairman of Simms Capital Management, Inc., and Wyoming rancher, are just one example. Visit us at www.bankofny.com/adr.

ISSUER: Kevin McKay, SAP AG INVESTOR: Robert Simms, Simms Capital Management, Inc.

TRANSFER AGENCY SERVICES

SPORT TRUST

Factory output falls in December

and Christopher Adams

PERSONAL PRINTING

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NEWS DIGINI

n (tr. 7.77)

GENETAGY

A dismal December for the manufacturing sector may bave undermined overall economic growth during the final quarter of last year. Factory output fell 0.6 per cent in December, compared with a year earlier, accord-

Statistics. Manufacturing activity fell by 1.8 per cent in the fourth quarter compared to the third, while overall industrial output shrank by 0.9 per cent in the same period.

National Institute of Economic and Social Research, said the figures pointed to slower growth in the fourth quarter than the initial 0.2 per cent increase in GDP estimated by the ONS.

"Overall, the picture is flat, rather than showing a ing to the Office for National decline in GDP. That is still consistent with a soft landing scenario," Mr Young

The institute now estimates there was no growth in output during the fourth quarter and growth of just

research fellow at the months to January, calcu- ONS revised down output lated at market prices. The ONS said 11 out of 14

manufacturing categories initial estimates that prices showed lower output in December. Textiles, metal products and transport worst performances. One of the few bright spots for industry was the expanded production of mobile telephones, thanks to their popularity as Christmas pres-

ents last year. Manufacturers' profits were also pinched, as the price of goods leaving the

prices to a yearly fall of 0.1 per cent in December, after were static.

The December revision means that 1998 saw the first equipment turned in the year-on-year fall in the sales price of manufactured products in the UK since records began in 1958. Consumer spending con-

> economy. In its monthly survey,

published today, the British Retail Consortium says the value of sales in January

Garry Young, senior 0.1 per cent in the three factory gate also dipped. The rose 2.5 per cent in January from a year ago. The buoyant performance

- the biggest increase since May last year - was helped by bargain-hunters as steep discounting in the New Year sales attracted reluctant shoppers. Ciaran Barr, UK economist

at Deutsche Bank, said the best news for the economy was the apparent slowdown tinues to help support the in wages growth during January. Income Data Services' pay databank showed the average growth in pay has fallen below 4 per cent for the first time since July.

Interest rate cuts boost fund managers' optimism

By Jane Martinson, Investment Correspondent

Fund managers in the UK have become markedly more optimistic about the domestic economy, largely as a result of falling interest rates.

A third of UK managers

surveyed in a poll published yesterday by Merrill Lynch, the US investment bank believe the economy will improve over the coming vear. This compares to a low of 3 per cent in September. Trevor Greetham, global

strategist at Merrill Lynch, said: "The agenda is moving very rapidly away from whether there will be a recession towards how strong the upturn will be."

The survey - of UK man-agers with total assets of £1,337bn (\$2,192bn) - was carried out by Gallup, the market research group, just before last week's 50 basis point cut in interest rates.

The base rate cut is unlikely to have been enough, according to most of the fund managers. The consensus forecast for rates next year is 5.1 per cent, down from 5.5 per cent today.

The survey covered 297 institutions worldwide, with assets totalling \$6,252bn. It found increased levels of economic optimism around the world over the past

month. Perhaps most significantly, eight out of 10 US fund managers expect last month's Brazilian devaluation to have no impact on domestic growth and corporate earnings in the US. This confidence suggests fund managers believe the US stock market's ability to shrug off turmoil in Asia and Russia will be repeated

closer to home. "US managers are beginning to think the US is immune to everything," said

Mr Greetham yesterday. In contrast, 38 per cent of the fund managers questioned in Japan thought Brazil would have a signifiantly negative im the US economy.

The average earnings forecast for UK companies in 1999 has risen from 0.8 per cent to 1.6 per cent in the nast month.

Fund managers expect this to rise to 5.2 per cent next

The number of UK fund managers expecting an upturn in the economy is still down from the begin ning of 1997, however. Few fund managers, 6 per cent, expect a rising inflation rate

NEWS DIGEST ROYAL COURT OF JERSEY Trust chief jailed for 5½ years after admitting fraud

A trust administrator who defrauded clients of £2,75m (\$4.5m) over 12 years was jailed for 5½ years yesterday by the Royal Court in Jersey, the biggest of the Channel Islands between England and France. Raymond Bellows, 65, pleaded guilty to 27 charges of fraudulent conversion and one of obtaining money by false pretences. The court heard that Mr Bellows used the money to fund his lifestyle and invest in a number of unsuccessful schemes, including a Swiss hotel in Giarus which has since failed. The court heard that Mr Bellows had control of clients' funds and was able to authorise payments from their accounts. He took 25.1m from 42 client trusts and companies, using half the money to restore some of the defrauded accounts.

His scheme was discovered by Clive Guillou, co-director, in 1996 but that did not stop Mr Bellows obtaining a further \$500,000 by false pretences from the Midland Bank the following month. He told the bank he needed the money to repay a loan used to invest in a book and CD-Rom business. In fact, he used it to repay a client account he had defrauded in an attempt to avoid detection. The court said that the offshore centre's reputation and integrity were of paramount importance. Mr Bellows' counsel asked for a sentence of tive years saying his clients' age, previous good character, and full co-operation should be taken into account. Philip Jeune, Jersey

ROYAL AUTOMOBILE CLUB

Legal actions 'may deter bids' Dissident members' legal actions against the Royal Auto-

mobile Club could deter some companies from bidding for its motoring services arm, sources close to the deal said yesterday. Five legal actions are under way against the RAC - four in the UK and one in the US - by overseas and retired members and widows of members. They are angry at being excluded from a payout of up to £35,000 (\$57,400) from the disposal of the RAC's motoring services division. This could mean the RAC being forced to settle for a stock market listing valuing it at an estimated £330m. compared with £400m or more that a trade sale might be expected to raise. The RAC last week unveiled plans to seek a listing, while continuing to seek a trade sale. A ruling from the Monopolies and Mergers Commission has effectively ruled out a sale to Cendant, the US business and consumer services group.

Cendant would have been forced to sell its Green Flag motoring arm, defeating the object of purchasing the RAC business. Charles Batchelor, London

OCCUPATIONAL PENSIONS

Study highlights jobs risk

WE VALUE YOUR CONTRIBUTION, BUT WE VALUE OUR PENSION. CONTRIBUTION HIGHER: YOU'RE FIRED

being thrown out of work in their late fifties than those without, a study of unemployment among older men has found, "Occupational pensions are associated with lower employment rates among people in their study from the Centre for Analysis of Social Exclusion at the London School of Economics. *Pension scheme membership makes It more likely that people on higher earnings will be offered early retirement by employers trying to reduce

Men with final-salary occu-

pational pension schemes

run a greater chance of

the costs of making salary-related pension contributions," the study concludes. "People with above-average wages but no occupational pension have the lowest risk of being displaced." The sharp decline in employment among the over 55s - 40 per cent now in the UK are without work means pension provision is being hit two ways: people are progressively living longer and therefore needing more retirement saving just as working life, and thus the time to pay for pensions both publicly and privately, is contracting. Nicholas Timmins, London

CAR IMPORTS

Lada poised for comeback

The Lada car is to return to the UK this year after two-year absence. Thanks to improvements in car design and the devaluation of the rouble, Avtovaz, the giant Russian manufacturer, believes the Lada is ready for a comeback. Avtovaz sold more than 20,000 cars a year in the UK in the 1980s, before sales collapsed in the face of competition. Avtovaz said the new VAZ 2110 model would be exhibited at a motor show in London in June. The first Lada was sold in the UK in 1973 and enjoyed a cult following among frugal drivers. But the Lada's rapidly-ageing design and reputation for unreliability turned it into a comedy legend. John Thornhill, Moscow

BASF chief aims to get the chemistry right in shake-up

Don Yarborough is using technology and empowerment to restructure working practices at the English plant. Chris Tighe talks to him

the problems of over-supply and price pressures that have prompted BASF, the German chemi- ate believer in business procals company, to undertake cess re-engineering, the a business process reengineering project at its site in north-east England.

It hopes the project at its Seal Sands site will secure its future despite tough global market conditions for its product, acrylonitrile. But Don Yarborough, the Seal Sands' director, is unim-

pressed by conventional approaches to redundancies. "It takes the ones at the bottom and chucks them out. then at the top of the economic cycle they creep back in; it doesn't change the way the work is done, make things more efficient," he

Mr Yarborough arrived in the north-east almost a year

By John Marray Brown

yesterday launched a series

of meetings with Northern

dispute over paramilitary

arms that threatens to derail

Mary Harney, deputy prime

the peace process.

any UK plants face BASF's plants in Freeport. Texas, and Wyandotte, Michigan. He is an enthusiast for change and a passionrestructuring method championed in Re-engineering the Corporation; a Manifesto for Business Revolution, the 1993 book co-authored by Michael Hammer. "In business process re-engineering you take the work, completely tear it apart, then you introduce

technology, empowerment, no demarcation," he says. The revolution has gripped the 30-year-old Seal Sands plant and its long-serving workforce.

The announcement last month that 260 of the site's 630 jobs are to go has dealt a blow to morale. These redundancies stem

from a radical site appraisal by "design teams" - crossago from the US, where he functional groups of employ-

> former US senator, should be ences." invited to help resolve the

party in the region, said it that led to the April 1998

administration without IRA in the past to deal with situ-

tions."

dispute. The Ulster Unionist

would not take up its seets if

Ms Harney, speaking dur-

said: "It may well come to an

decommissioning.

The British government party, the biggest pro-British

Ireland political parties to the government moved to set

seek a formula to end the up the new Northern Ireland

Politicians on both sides ing an Irish republic trade

dismissed a suggestion from promotion trip to Australia,

minister of the Irish Repub- American intervention to



anxiety is mixed with other managers to the US for a ton, then putting the future

tensions. In addition to the redundancies, the familiar jobs hierarchy is to be replaced by "process owners". "coaches" and self-directed teams of employees.

At Seal Sands Mr Yarhorough found a site that had made multi-million pound losses for the past two years - BASF declines to reveal how much - and was projected to do so for the next

He held discussions with senior management and, had implemented business ees working full-time on the having enlisted his superi-

lic, that George Mitchell, the resolve outstanding differ- rejected by Gerry Adams,

Mr Mitchell, a former

Democrat majority leader in

the Senate, chaired talks

peace agreement.

We have to call on those

who have had the capacity

ations like this," Ms Harney

said. "It may well be time for

week's training. Any lingering doubts over the process among the man-

agers were ironed out in the managers sort it out." June. "Had they not agreed. they would have had to leave the management team." Mr Yarborough says. The project selected its design team in August, from

all employee levels. They knew the site's heavy losses meant it was unlikely to survive without change. planned in the next three Not all employees are years. He also has faith that

impressed. "They're taking a group of people from the shop floor, giving them verts to business process reprocess re-engineering at process since August - and ors' support, took senior seven days' training in Bos- engineering.

president of Sinn Féin, the

political wing of the Irish

Republican Army, and David

new administration and

· A senior UUP official said

it would seek to have Sinn

Féin expelled. If that failed

because of a lack of support

from the moderate national-

leader of the UUP.

Ireland parties snub call for US mediation

"finally discharge their obli-

gations until the last min-

of the site and the workforce

in their hands," says one. "It

would have been better to let

But the TGWU, the trade

union, disagrees. Mike Bri-

der, the local official,

applauds the principles of

self-directed teams and

employee involvement in hig

Mr Yarborough insists the

site has a future and £30m

(\$49m) capital expenditure is

employees will become con-

decision-making.

But he said it was impor-Trimble, first minister in the tant the two governments increased the pressure on the republicans ahead of the · March 10 deadline for transferring powers to the new institutions.

Mr Trimble is facing a party executive meeting this weekend and unionist opinion has hardened, aloneside ment. Mr Trimble said he the upsurge in paramilitary The suggestion was did not expect Sinn Fein to

Trade unions step up pressure for euro participation

Senator George Mitchell to ist SDLP, the UUP would

deal with these negotia- call for a review of the agree-

By Robert Taylor, Employment Editor

The question of UK in the UK. participation in the euro will become increasingly the general secretary of the forthcoming report on preparing the UK for the common currency.

"The euro is not just another foreign currency,

will make an increasing impact on the UK, highlights impact on investment, company restructuring and jobs economy as long as it

The TUC has been pressing for early accession to the pressing", says John Monks. newly-formed euro-zone of 11 of the 15 European Union Trades Union Congress, in a states. It is planning a spring further debate at the TUC's September congress.

The document, which

remains outside the euro.

The TUC partly blames the high exchange value of the pound on the fact that the UK is "not expected to enter. Emu until some time after the enro-zone are "unlikely to accept as a member any by our non-participation in mainly spells out the practi- country whose currency is the first wave". writes Mr Monks, warning it calities of Emu and its subject to violent swings".

enezge in competitive devalthe euro would attract heavy reactions against us irrespective of obligations under EU single market rules and would in turn undermine conference on the issue and 2001-02 at the earliest". It further our attractiveness adds that the 11 countries in for inward investment, which is already weakened

The TUC believes the same currency, will be trans-

The report also warns that arrival of the euro will intenparent and this will affect "any attempt by the UK to sify the development of workers in European multisocial policies designed to uation of the pound against protect workers and tackle unemployment. It also believes moves will be made towards Europea-wide collective bargaining. "Cross-bor-der areas are likely to be among the first to see the effects of the introduction of the euro on wages," says the once workers are paid in the

workers in European multinational companies.

The TUC recognises "differences in productivity levels and in the rate of productivity increases between countries, regions and sectors will feature in European pace of Euro-bargaining. But the TUC believes UK trade unions must prepare them-

OF NEW YORK



TIM JACKSON

Healthy margins in the long run

Internet retailers that survive the coming consolidation of the sector should reap substantial rewards

Unless you are an accountant, you may be tempted to stop reading right here. But pause before you do so. The valuations of many internet businesses, particularly those that use the web to sell things to consumers, depend on two assumptions: galloping growth as far as the eye can see, and gross margins that sustain or improve over

From Amazon.com
downwards, many
companies have convinced
investors that their inability
to make money now does not
matter – because it is easter
to build a big, profitable
business from one that is big
but unprofitable than from
one that is small but
profitable.

If their ability to deliver acceptable long-term margins is in doubt, however, internet retailers look like an unattractive investment – because the expected future stream of earnings on which all share prices depend suddenly begins to look a great deal smaller.

A growing number of commentators have become doubters. They argue that as the internet matures, even retailers as strong as Amazon.com will find it impossible to sustain current margins, let alone increase them.

Support for this pessimistic view can be

from that

found at the web site

www.onsale.com. Onsale, a
leading online auctioneer,
enjoyed one brief quarter of
profitability immediately
before it went public in
spring 1997, but has not
made money since. The
company's latest approach to
improving its margins is a
new service called "atCost",
in which the company sells
products to customers at its
own cost price, as

guaranteed by a big
accounting firm, adding on
only a "processing fee" of up
to \$10 per item which it
claims represents its profit
on the transaction.

To be fair, it isn't quite at
cost. Onsale should also be
able to squeeze some margin
from a 2.4 per cent
credit-card surcharge
(compared with 1.6 per cent
or less for many hig

credit-card surcharge (compared with 1.6 per cent or less for many big retailers), from advertising on its web site, and from full-rate UPS shipping (compared with the heavily discounted prices paid by customers of its size).

Another online retailer, Buy.Com, has abandoned the

Buy.Com, has abandoned the quest for traditional retail margins altogether. Instead, the company sells a range of products, from books to computers, effectively at wholesale prices, making its money from web advertising and from fees paid by the big distributors to whom it channels fulfilment of customers' orders.

Buy.Com's unusual model has been rewarded by a quick increase in sales – the fastest in history, the company claims – and an equally quick increase in the price venture capitalists have paid for its shares.

Softbank Holdings, which



has many successful online investments, acquired 10.25 per cent of the company for \$20m last August through an affiliate, and then paid \$40m for another 9.9 per cent barely a month later.

Do businesses like these prove that retail margins on the web will go the way of charges for public toilets? Not necessarily. It is true that these two companies are pioneering a new business model, where the inventory stays with the wholesaler and the retailer is merely an aggregator. But this is little different from modern department stores, which are not so much retailers as property companies that rent out highly priced branded space

Web investors need to remember two key underlying facts. First, the barriers to entry in web retailing are high and rising. Except for a tiny number of ideas that are new enough to get free publicity, most new web businesses need to spend heavily on marketing to be heard above the background din.

to multiple boutiques.

Second, customers care about more than just price. Consistently good service and easy web site navigation are both expensive and difficult to achieve. Buyers will give a new retailer only a matter of seconds before losing patience with bad page design; and two orders where the package fails to arrive on time are usually enough to lose an account. On the web, brand takes

the place of geographical proximity. When you want to buy a pack of Frosties at midnight, you are more likely to buy from the local convenience store than to soour the entire city looking for the cheapest cereal.

Likewise, someone who wants a book in a hurry will be more likely to buy from a web site whose name they remember, like Amazon.com, than from a slightly cheaper competitor whose delivery promises may not be met.

To be fair, buyers are

promises may not be met.

To be fair, buyers are
much more price sensitive
when buying occasional
big-ticket items; that's why
margin erosion will probably
always be more intense on
computers than books.

But as I see it, the worries

about web retailers' margins are evidence of an accelerated move through the typical life cycle of a new industry. Innovation of the new service, selling over the web, is now being followed by intense price competition. Market consolidation will not be in full swing until large numbers of e-commerce businesses shut after burning through tens of millions of dollars of investors' money.

But when consolidation is complete, the cost of setting up a web retailing operation will probably have risen from the tens to the hundreds of millions of dollars. And the margins of the fighters left standing might not be too bad.

tim.jackson@pobox.com



Easy-to-read display for Palm challenger

Palm PCs running
Microsoft's Windows CE
operating system represent
a potential challenge to
3Com's highly successful
Palm unit which dominates
the pocket PC market.
Now Microsoft has added

colour support to its Palm
PC operating system,
enabling Hewlett-Packard to
launch the Jornada 420
which it claims is the first
Windows CE palm-sized PC
to have an easy-to-read
colour display.

colour display.

HP says the 256-colour, 240 x 320 pixel screen markedly improves readability over previous monochrome models and that its light weight, 250g (8.810z) and compact sze 13cm by 8.1cm by 2.2cm (5.1in by 3.2in by 0.9in) – allows it to be carried easit

A configurable start button permits quick, single-handed use, and a transparent flip-up cover protects the screen. The Jornada 420 is expected to cost £399 (\$658) when it goes on sale in some European countries next month.

Quick set-up microserver

As corporate intranets and use of the internet expand, the demand for low-cost servers and server appliances continues to grow.

Cobalt Networks, a the home front

start-up company in
Mountain View, California,
tounded in 1996, spotted the
opportunity for a range of
microserver machines
designed to "offer a
complete, easy-to-use set of
communication and
collaboration services at

LIC II

"Home of
switching
application
switching
application
services at

"Home of
switching
application
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truty affordable prices".

The company's new
Cobalt Oube 2 comes
pre-configured with the
Linux 2.0 operating system
which the company claims
means it can be set up from
its box in under 15 minutes.
It comes with application
software including Apache

Net gains: Cobalt Oabe which can be set up in 15 minutes

1.3 web server together with e-mail, file sharing and discussion group software. Other out-of-the-box Cobalt machines include an ISDN Oube which includes an ISDN router communication device and

Cache Qube designed to optimise available bandwid for internet service providers, businesses and schools.

www.cobaltnet.com

the home from

"Home control" systems for switching domesticappliances on and off remotely or on a timer have been available in the US for some time and are used by an estimated 5m households.

The technology uses existing household electrical circuits so does not require any re-wiring. A company called Home Control has launched three starter kits in Europe.

The Take Control PC is aimed at the 8.4m households in Britain who own a home PC and enables the user to build "macros" to control devices using a PC-based program.

The Easy Life remote

The Easy Life remote control allows the user to switch 16 appliances on and off while the Free Time controller looks like a clock radio and provides control over up to eight appliances. Further information from Carixa Communications, UK: tel 01179493394, fax 01179493395

Launch of CD duplicator

Making multiple copies of software or other digital material stored on a CD-Rom can be time consuming and difficult. However LaCle, the French mass storage specialist, has launched a

generation of multi-purpose CD duplicators that simply require a single button to be pushed. The Dupli-121, for example, combines a standalone one-to-one CD duplicator, a multi-read 36x CD-Rom drive and a 4x/8x CD-R (writable CD-Rom) drive.

The machine takes just 18 minutes to copy a full CD. The Dupli-121 costs 2700, www.facia.com

Organiser gains data input

Franklin Electronic
Publishers, Starfish Software
and Japan's Citizen Watch
Company had a surprise lik
when they teamed up to
produce a credit-card-sized
business organiser called the
Rex PC Companion lest

The Rex plugs into a portable PC's PC-Card slot or a docking station attached to a desktop machine in order to download contact names, phone numbers, appointments and other stored data which can then be read back while on the move.

However, the first generation of Rex devices lacked any facility to input data directly. For those that require this facility the manufactures have now launched the Rex Pro. It costs £170 in the UK.

Paul Taylor



Fainé to succeed Vilarasau at La Caixa

The succession to the top executive post at La Caixa, Spain's biggest savings bank, has been decided in favour of Isidre Fainé, assistant managing director for 16 years.

He succeeds Josep
Viarasau, the main architect
of the Catalan group's
recent expansion, who
decided to retire from the
post two years early and has
been made chairman, a

non-executive position. He in turn replaces Juan Antonio Samaranch, the embattled president of the International Olympic Committee, who stood down to make room for him. Samaranch, who was appointed to the powerful Barcelona-based savings bank after the city won its bld to stage the 1992 summer games, insisted that the move was unconnected to the furore over alleged corruption involving IOC

members.
Falné, 56, who trained at Harvard and Barcelona's IESE graduate business school, came to La Caixa after a succession of senior posts in different banks. He is also chairman of motorway concession company Acesa, in which La Caixa is the main shareholder. His board posts include a vice-chairmanship at Telefónica, the telecommunications operator.

The managing director's post is a coveted one in Catalonia, where La Caixa enjoys a high profile not only through its dominant role in the banking sector but also because of its wide-ranging social, educational and cultural programmes.

Antonio Brufau, 50, who previously held the same title as Fainé, meanwhile becomes managing director of La Caixa's industrial interests. Brufau, who is chairman of Gas Natural, the gas group, is a relative newcomer at La Caixa – he joined from Arthur Andersen in 1988.

David White, Madrid

CSFB snares Schneider chief

Didler Pineau-Valencienne, the veteran French industrialist and one of the few with a spell behind bers on his CV, has made his decision about life after Schnelder, the electrical equipment maker he headed for 18 years.

He retires as chairman this

the executive reins last week. After sifting more than 10 international offers (but

month, having handed over

none, apparently, from French companies), Pineau-Valencienne has opted to become the 10th vice-chairman at Credit Suisse First Boston, the Swiss-US investment bank.

Based in London, he will use his senior contacts to bring in mergers and acquisitions business for CSFB, which, as it happens, does not count Schneider among its clients.

Pinesu-Valencienne made

Pineau-Valencienne made headlines in 1994 when Belgian authorities detained him in prison for 12 days after he went to Brussels to help an investigation into alleged financial misdoings at Schneider's Belgian subsidiary.

subsidiary.

The investigation that led to the curious episode has never officially been closed but the authorities have been silent on the subject for three years.

These days

These days
Pineau-Valencienne travels
as freely to Belgium as
anywhere else.
Clay Harris, London

McLure to build Pictet business

More than a century ago the Morgans, Mellons and Rockefeliers set up their own banks to manage their American family fortunes. But these days even the world's wealthlest families baulik at having to establish private banks to manage their family affairs and are seeking to outsource an increasingly complex task.

Morag McLure, a Scottish lawyer, has been hired by Pictet & Cie, the Geneva private bank, to expand its "family office" service into Germany, France, Italy and the UK. In the US there are 2,500 private "family offices" specialising in managing private fortunes and the concept is starting to catch on in Europe.

Pictet & Cle and Bank
Julius Baer, of Zurich, set up
their family offices last year
to advise wealthy families on
the management of their
assets. Pictet is targeting
families worth more than
\$100m.

Pictet estimates that there are 250 families of those in Switzerland alone that fit its criteria. But it wants to spread its net wider and has recruited McLure, former head of trust and estate planning at Mercury Asset Management, to lead its discreet pitch for the world's billionaires.

Pictet's family office will provide a central port of call for families wanting advice on private wealth management services such as investment consulting, investment reporting and custody, succession planning, tax and financial planning and administration,

and bookkeeping.
"Every asset manager around wants the business

of extremely wealthy families," says McLure. She sees one of her department's roles as relieving clients of a lot of the leg work of dealing with several different investment managers. "It is a bit like being a physician," she says.

says. William Hall, Zurich

Johnsson steps up at Volvo

Volvo, the Swedish automotive group, has named Stefan Johnsson as its chief financial officer. Johnsson, 39, joined the group's executive committee last year as head of strategic and business development —

a role he will retain.
Officials said that
Johnsson was closely
involved in the group's
recent decision to sell the
car arm, its largest business,
to Ford of the US for
SKr50bn (\$6.5bn).

He is also understood to be playing a central role in Volvo's separate pursuit of Scania, its Swedish heavy truck rival. Last month Volvo took a near 13 per cent stake in Scania.

Johnsson succeeds Jan Engsträm, who last month became president of Volvo Bus. The reshuffle reflects a strategy by Leif Johansson,



McLure: to join Pictet & Cle

Volvo chief executive, to move senior executives between operational and financial roles frequently. Tim Burt, Stockholm

Rexam names PLM board

Rexam, the UK packaging and printing group that recently acquired Swedish rival PLM, has appointed a new managing director at PLM following the departure of Fredrik Arp, who had reservations about the takeover. The UK group said Lars Emilison, managing director of PLM's drinks can division, would succeed Am

Arp.
The former PLM chief has been headhunted by Trelleborg, the Swedish mining, metals and rubber group, to become its new chief executive. Arp, 45, was widely expected to leave

PLM after questioning the synergies between the group and Rexam.

Rexam said Emison, 57, would join a new five-man board at PLM, it would include Rolf Börjesson, Rexam chief executive, and the UK group's finance director Michael Hartnall. Börjesson was chief executive at PLM before joining Rexam in 1996. Tim Burt, Stockholm

Stiefler joins Safeskin board

Jeffrey Stiefler, chairman and chief executive of international Data Response Corporation, has joined the board of Safeskin, the latex and synthetic glove

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manufacturer, Stiefler, 52, is a former president and director of American Express. He has just led IDRC into a merger with fellow telemarketing and customer service outsourcing company TeleSpectrum Worldwide which will form the seventh largest group in the industry when completed. He is a graduate of Williams College and holds an MBA from Harvard Business School.

Andrew Bounds, London

Moving places

 Joseph Anastasio former managing director of J.P. Morgan's North American operations, has joined The Capital Markets Company as chief executive and chief client partner of its North American operations.

• Maarten Hulahoff, 51, chairman of the managing board of the NCM Group is relinquishing his position to take up a new appointment as chief executive of Rabobank International, part of the Dutch group. He will replace Rik van Stingelandt. AlliedSignal has formed a new European aerospace organisation, called Environmental Control Systems-Europe and has named Philippe Ancelle the organisation's vice-president. The group aligns AlliedSignal's European environmental control systems manufacturing operations into one busines Chase Manhattan has appointed Christopher Harvey a managing director in its global trading division. Harvey fills a newly created position as head of sales and origination for foreign exchange and derivatives in New York, Harvey was with J.P. Morgan for 15 years. Novell has appointed Elis Nemes vice-president for Europe, Middle East and Africa. Nemes joins from Sun Microsystems, where he

was vice-president, sales

operations for Furnite

Middle East and Africa.

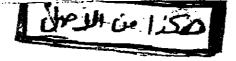


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have discovered photography"

he said. "Now I can kill myself I have nothing else to learn."

Degas and Bonnard to Warhol

surprise. Indeed it would have

been remarkable were he not,

especially so given his voracious

appetite for new materials, appro-

priated images, and any fresh

If there is any surprise, it lies

with the extent of his engage-

ment with photography. At his

death in 1973 he left an enormous

trove of archival and photo-

graphic material, which has

slowly been coming to light ever

since. The fascinating exhibition

now at the Barbican is a sum-

mary of the tripartite study,

drawn from this mass of private material, which the Musée Pic-

asso in Paris made between 1994

and '96. And if we emerge a little

bemused, it is only because what

is now so obvious has remained

some quarters that to resort to photographs for reference and

ideas is something of a cheat, and

no doubt there will be a certain

pursing of lips among the

Picasso-sceptics. But the camera is only a tool, and it is how the

artist uses it to serve his purpose

that counts. Far from never

lying, it can at times be down-

right mendacious, and the artist

must understand just what it can

and cannot do. And in following

Picasso through the labyrinth of

his life-long interest, we soon

realise that he was never photog-

raphy's creature, never over-reli-

ant or literal in his response -

even though his transcription of

we always have the sense that

an image could be very close. But

There is still the feeling in

unrecognised for so long.

means of expression.

MUSIC IN LONDON

The old

the new

It is not enough just to put on a

classical concert any more.

There has to be a special selling-

point, as two major concerts at the Royal Festival Hall over the

On Thursday the Royal Con-

certgebouw Orchestra of Amster-

dam came for the second of the

concerts in its 1998/9 series.

Though by no means the oldest,

the orchestra is one of the most

venerable in Europe and markets

The programme comprised two

major works by Brahms - the

Violin Concerto and the Second

Symphony – separated by

Schoenberg's Five Orchestral

Pieces Op.16 to represent the

continuation of the Germanic

musical line. As it happened, the Schoenberg was the best of the

bunch. Riccardo Chailly, the

Concertgebouw's chief conduc-

tor, is a perfectionist and the

more complex the music, the

Listening to the beautiful

sounds produced here in the name of Schoenberg, it is hard to

hear how his music could ever

have been thought difficult. No

more out-of-tune ensemble, no

more scraping violins or over-loud rasping brass: Chailly and

the Concertgebouw turned each

of the five pieces into a model of

Unfortunately, they did the

same to the Brahms, too. When

Chailly arrived in Amsterdam,

the players felt he was working

against the classical tradition

they had in their bones. Ten

years on, the players now wear

Chailly's Italianate style - like a

sleek, high-quality Milanese suit

as if it was made to measure.

The result was perfectly pol-

ished, but without depth, or pas-

sion, or Germanic wholehearted-

ness, a long way from the

stirring Brahms that Christoph

Eschenbach gave us in the First

Symphony in the same hall a

week earlier. In the Violin Con-

certo, Vadim Repin balanced

sweetness and strength nicely,

but only broke out of the prevail-

ing mood in his choice of an

On Saturday, the London Phil-

barmonic's concert was anything

but traditional. Under the trendy

unusually flambovant cadenza.

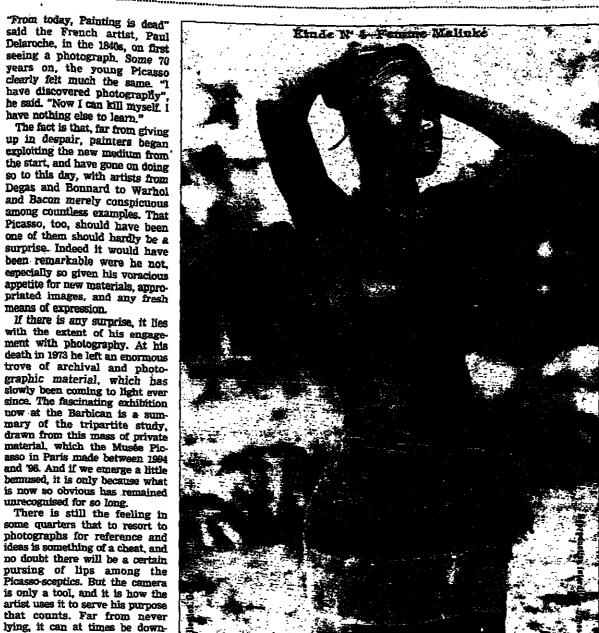
cool, objective precision.

more impressive the results.

meets

weekend showed.

itself on tradition.





The lens as servant to the master

William Packer explains how photographic references were essential to Picasso's inspired creativity

magazines. Then there are the taken, in the loosest and most highly selectively upon an extenthe judicious exploitation of to the photograph, but to the art. The show is arranged by cate-Brassai: Dora Maar, his mistress gories of interest and practice of the later 1930s, who recorded the use of direct photographic reference such as post-cards, oldthe progress of "Guernica"; André Villers and the paper cutmaster reproductions and perouts repeatedly re-photographed; sonal photographs as a source of imagery, the practical record of Gion Mili and the drawings with work in progress, and studio inte- a point of light in space; and, of riors, that together might lead to . course, Clouzot and the film they further development in the work: made together, Le Mystère Pic-

images of self and friends; techni- asso. cal experiments with the medium of photography in its direct rela- chronological, and certain prac- d'Avignon" around 1905 and '06. tion to painting, print-making tices recur throughout - even it is now clear, however, that his and collage; collage and graphione one of the very last of his paint-inspiration was in large part silhouette in a tiny studio photo-iracturing and refracting the Barbican, Silk Street, London EC2, cally-augmented material from ings, c.1970, of an old man, is even more humanly direct, based graph, and there is the silhouette actual, perceived space, these until March 28.

working photographers and film- a photograph - the importance of makers who were also friends - photography to him in his earlier periods is perhaps the more intriguing. In particular, it has always been accepted that Picasso was strongly influenced by the ethnographical collections he discovered when he arrived in Paris, by African tribal sculpture especially, and it has always been there the painting from it that he assumed that here he found his left unfinished (1918), so close in principal reference in developing its particular copyings but criti-While the show is not closely the imagery for "Les Demoiselles

material leads the artist not back collaborative exercises with fiercely expressionistic way, from sive set of postcard photographs of West African tribal women. Given the context, we see at once muse, holding a beach-ball, poses the unmistakable reference, and the creative liberties he took with it.

So it goes on. Here is his photograph of his first wife, the dancer Olga Khoklova, sitting elegantly cross-legged in the studio, and full of atmosphere and mystery, cally altered in its shifts and emphases; here he is again, a the studio and the arbitrary overmarginal, ambiguous self-portrait lapping of images upon the wall

again in the large, schematic "Studio" interior of 1929. Marie-Thérèse Walter, a later mistresson the beach at Dinard for a grotesquely abstracted surrealist figure (1929). But more intriguing still are

the faded, fragile images of studio interior and work in progress. post "les Demoiselles", from the Cubist period before the first confirm and rediscover his work, world war. And in their formal disposition, with the clutter of

thing of the quality and purpose of the Cubist adventure itself. More than mere snapshot notes and records, they become, most curiously, integral to the work itself. Was Cubism then, purest of painterly enquiries, set in part upon what the camera by chance revealed, suggested? Perhaps indeed it was, and photography for Picasso "The Dark Mirror" of the exhibition's title, through which he would always look, to

images begin to take on some-

Picasso and Photography - The Dark Mirror: Barbican Art Gallery, The

first interval, and by Act 3 the

character is endearingly three-

dimensional. There's an enter-

taining double-act with his ille-

gitimate son (Harry Ward), who

- like Andrew Slater's Faninal

and Phyllis Cannan's Duenna -

is etched in unusually vivid col-

and himself.

umhrella title Roots - Classica Fusions, most of the musical styles of the world were gathered: Caribbean calypso, passionate tangos, pensive Japanese butoh music and a big earlyevening showing by Polyphony quite live up to the true fiction of Doufexis oozes natural talent. Kkonda from the African rain-Rose's Ochs is less a blue-blooded forest. Nearer to home were the buffoon, more an arrogant aristo European equivalents, Celtic trying unsuccessfully to sow dance. Spanish flamenco etc. some wild oats. Rose skates over Where was the London Philthe words in Act 1, and there's not a breath of dialect; but he emerges a different man after the

barmonic in all this? Under Kent Nagano they played two works which claim links to the earth: Copland's Appalachian Spring and Stravinsky's The Rite of Spring, though it was ironic that Nagano's glib performance of The Rite had so little of the primitive about it. Even when it was skidding along at speeds far too fast, it failed to be exciting.

Surely the problem is that sophisticated 20th-century classi-The bedrock of the performance is Armstrong's thorough cal music retains only the most preparation of the orchestra and tenuous links to folk music of fingertip command of Straussian any kind, unlike pop or jazz. But line. We may be used to a plusher maybe the public response shows string sound, but the myriad there is a market for such hybrid wind figures rarely come across promotions, and The Loudon as audibly as this, or the Act 3 music scene is big enough for passagework with such fiery this and old-style tradition like accuracy. When will this conductor's contribution to opera in the

Richard Fairman

Stiefler joins Safeskin ber

Moving

places

· Programa

Organiser gain

data input

Paul Taylor

Fine Strauss without the sentimentality

OPERA

ANDREW CLARK

Lifting the curtain on what promises to be a rich Strauss year, Scottish Opera's Der Rosenkavalier sets a standard that will Anyone old enough to remem-

ing with Elizabeth Harwood and Janet Baker, will have approached David McVicar's new production sceptically. But time is a strange thing, as Joan Rodgers's succulent peach of a Marschallin reminded us at the Theatre Royal, Glasgow, on Saturday. in McVicar's brilliantly imagined realisation, we find a performance that not only conveys a sense of tradition renewed; it also

plays tricks on our sense of time, ting, but there's also a hint of as the evening slips by without a modern stylisation - as in the single longueur. It's an achievement of which everyone, not least the conductor. Richard Armstrong, can be intensely

McVicar respects the Viennes setting without being slavish to it. His single set – a semi-circular interior of fading imperial grandeur, with just enough gaps to spark the imagination - shows ber this company's previous stag- how an impression of manysplendoured opulence can be created on a shoestring. The stage has height and depth, and adapts itself perfectly to the needs of each act, wittily so in Faninal's palais, where the chairs are identical to Act 1. but with a nouveau-riche lacquer replacing faded gilt.

blends naturally with this set-

ladies' teased-out, topiary-like hairstyles (far better than powdered wigs) and Annina's black lipstick. Annina turns out to be this production's most original creation, and in a buridly insinuating performance, Joanna Campion very nearly acts everyone

off the stage.
Where McVicar sets himself apart from other producers is his determination to filter out all sentimentality, parody and vulgarity: a high-risk strategy, given that these qualities have long been considered central to the work's charm. So there's no musging in the first Mariandel episode, no comedy in the levée and no rustic testosterone in Peter Rose's squire of an Ochs. McVi-The abstract period flavour of car even insists on transforming Tanya McCallin's costumes the Marschallin's black page into an adult.

dramatic verisimilitude of each character is established. What McVicar seems to be telling us is that he respects the work's theatrical conventions, but is not interested in the cliches: Rosenkapalier has to be more than a superior gag. The comedy comes to life in Act 2, the characters begin to flourish, and the scene is set for a dénouement of rare

The result is a slow-burning

Act 1 in which, nonetheless, the

integrity. McVicar has such an eye for visual style, and is so musical, that it comes as a shock to see how wide of the mark he is with Sophie. Lisa Milne has the bright soprano for the part, but she looks a frazzled frump. The presentation of the rose doesn't quite work: Sophie is too bedazzled to notice Octavian.

This is one of McVicar's trueto-life observations that can't

Strauss/Hofmannsthal, But any Sophie would find it hard to compete with Rodgers's Marschallin, a woman young enough to boast a credible sexual appetite but old enough to behave with emotional Rodgers's juicy soprano might not carry so well in a bigger thea-

tre, (or with a less sensitive conductor), but her ability to caress the words proves just as fetching as her décolletage in the opening scene - where, to preserve her modesty, the stage direction could benefit from a little finetuning. What really distinguishes Rodgers's performance is its musical intelligence, the sincer-ity of her psychological development, and the dignity with which she sorts out everyone's problems at the end.

The leaner soprano and even leaner figure of Stella Doufexis's Octavian provide the perfect counterpoint. The travesty proportions of this part are seldom so convincingly realised, and

Langridge and John Tomlinson;

UK win the recognition it

PARIS CONCERTS Salle Plevel Tel: 33-1-4561 6589

Orchestre de Paris: conducted by Frans Brüggen in works by Feb 10, 11 Théâtre des Champs Elysées

Tel: 33-1-4952 5050 Orchestre National de France: conducted by Jerzy Semkow in works by Haydn, Mozart, Mendelssohn and Schubert; Feb

EXHIBITION Musée du Louvre Tel: 33-1-4020 5151 www.louvre.fr of the latest archaeological findings from the Egyptian

OPERA Théâtre des Champs Elysées Tel: 33-1-4952 5050 Océra National de Lvon: Zelmira. by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos. The title role is sung by Mariella Devia; Feb 10,

VIENNA CONCERT Musikverein

San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by ives, Mendelssohn and Prokofiev; Feb 9

OPERA Washington Opera Tel: 1-202-295 2400 www.dc-opera.org

WASHINGTON

Boris Godunov: by Mussorgsk Conducted by isaac Karabtchevsky in the widely-travelled Tarkovsky staging, revived by Stephen awless. Samuel Ramey sings the title role; Feb 13, 15

TV AND RADIO WORLD SERVICE

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 CNN International Monday to Friday, GMT: 06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today

Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20: 10:20; 11:20; 11:32; 12:20; 13:20:

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

INTERNATIONAL

Arts Guide

AMSTERDAM

EXHIBITION Riiksmuseun Tel: 31-20-673 2121 Asser: Pioneer of Dutch photography. Nearly 200 photographs, including portraits and still lifes, made by Edouard Isaac Asser (1809-1894). The prints were produced by a variety of techniques with which Asser experimented before devoting his full attention to developing a method of photographic reproduction; to Mar 14

OPERA Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The title role is sung by Carmen Oprisanu; Feb 9, 12, 15

BERLIN **OPERA** Deutsche Oper Tel: 49-30-34384-01 Faust: by Gounod. Conducted

by Sebastian Lang-Lessing in a staging by John Dew; Feb 12 Manon: by Massenet.
 Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Feb 13

BRUSSELS **OPERA** La Monnais Tel: 32-2-229 1211 Lady Macbeth of Mtsensk: conducted by Antonio Pappano in a new staging by Stein Winge, with sets by Benoît Dugardyn and costumes by Jorge Jara;

Feb 10, 12

DALLAS OPERA ... Dallas Opera Tel: 1-214-443 1000 www.dallasopera.org La Bohème: by Puccini. Conducted by Antonello Allemandi in a staging by Mark Lamos, with sets by Michael

Yeargan, Feb 13

GLASGOW OPERA Theatre Royal Tel: 44-141-332 9000 Scottish Opera: Der Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 13

HOUSTON THEATRE Houston Grand Opera,

Wortham Center Tel: 1-713-227 2787 www.hgo.com A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade and Sheri Greenawald; Feb 9, 12, 14

LONDON CONCERT Barbican Hall Tel: 44-171-638 8891 Vienna Symphony Orchestra: conducted by Vladimir Fedoseyev in works by J Strauss, Mozart and Beethoven; Feb 11

EXHIBITION **Tate Gallery** Tel: 44-171-887 8000 Turner in the Alps: undertaken in 1802, this was Turner's first visit to continental Europe. The exhibition contains 68 works, revealing his initial impressions of the landscapes he encountered; to Feb 14

OPERA English National Opera, London Coliseum Tel: 44-171-632 8300 La Traviata: by Verdi. Michael Lloyd conducts a revival of Jonathan Miller's staging. Cast includes Claire Rutter and Alan Ople; Feb 9, 12

LOS ANGELES EXHIBITION

Tel: 1-213-857 6000 www.lacma.org June Wayne: A Retrospective. Survey of the artist's printmaking work from 1946 to 1995; to Feb 15

MANCHESTER CONCERT Bridgewater Hall Tel: 44-161-907 9000 Vienna Symphony Orchestra: conducted by Vladimir Fedoseyev in works by J. Strauss, Mozart and Beethoven. with piano soloist Artur Pizamo: Feb 12

MOSCOW CONCERT Conservatory Great Hall Tel: 7-095-229 9401 Moscow State Symphony Orchestra: conducted by Gilbert Kaplan in Mahler's 'Resurrection' Symphony No. 2; Feb 9

MUNICH CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Klassische Philharmonie Bonn: conducted by Heribert Beissel in works by Mozart and Beethoven, with piano soloist Matthias Kirschnereit, Feb 12 Munich Radio Orchestra: conducted by Leopold Hager in works by J. Strauss; Feb 14 St. Petersburg Philharmonic Orchestra: conducted by Yuri Temirkanov in works by Prokofiev and Ravel; Feb 11

EXHIBITION Haus der Kunst Tel: 49-89-211270 Angelika Kauffman (1741-1807): retrospective of works by the Swiss decorative artist, who was a founder member of London's Royal Academy, Includes paintings, drawings, prints and

NEW YORK DANCE New York City Ballet, New York State Theater Tel: 1-212-870 5570 Celebrating Five Decades of Repertory: continuing 50th anniversary celebrations; Feb 9, 10, 11, 12, 13, 14

porcelain; to Apr 18

EXHIBITION Guggenheim Museum Tel: 1-212-423 3500 www.guggenhelm.org Picasso and the War Years 1937-1945: more than 75 works paintings, sculpture and works on paper - which together explore Picasso's response to the period which began with the Spanish Civil War and ended with the liberation of France. Includes major public and private loans; to May 9

OPERA Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000

www.metopera.org Moses and Aron: by Schoenberg. Conducted by James Levine In a staging by Graham Vick, with sets and costumes by Paul Brown, Cast includes Philip

Feb 11

Bach, Mozart and Mendelssohn:

Eternal monuments of Ramses II: New Theban excavations. Display pharaoh's tomb; from Feb 10 to

12, 15

Tel: 43-1-5058 6810



Cut to the core

To survive BMW must concentrate only on its luxury cars or merge with a strong but ordinary mass-market business

The broader question behind BMW's spectacular boardroom bust-up is this: can specialised. top-of-the-line businesse compete in the long run with ones based on a broader range of customers and products?

The conventional wisdom these days is no. A good big 'un, it is said, will always beat a good little 'un. And though BMW is, by most standards, a large company – revenues of over \$35bn, a workforce of 120,000 and output of 1.2m cars – it is still nothing like the size of competitors such as Ford, Toyota, DaimlerChrysler or

Volkswagen. This explains the way outside observers reacted to last week's bloodletting. which saw the two top managers leave. Bob Eaton co-chairman of DaimlerChrysler, summed up the mood: "By Monday there will be at least three or four companies bidding for BMW," he said.

Today's conventional wisdom is that there are huge returns to size: financial firenower. technological depth, brand presence. Together, these make a well-managed large company unbeatable. Smaller ones have no choice

but to merge. If you want to be really big, you need a mass-market ence. Goodbye BMW. presence. Goodbye BMV hello DaimlerChrysler. Goodbye Goldman Sachs, hello Merrill Lynch and Citigroup. And so on.

Let us examine how this applies to BMW. It already has large enough volume to run world-scale car factories. Irideed, the minimum size of an efficient plant is coming down, thanks to automation and pre-assembly of components. So if BMW is in some sense too small, it cannot be for the traditional

reason of production Perhaps the cost of

developing a new model is so huge that smaller companies cannot sustain it? That may be so – certainly thinly resourced carmakers like the pre-BMW Rover, the pre-General Motors Saab the pre-Volkswagen Rolls-Royce were having

difficulty refreshing their

product lines quickly or

imaginatively enough. But again, it is hard to see how that applies to BMW's core business, its executive saloon cars. There are only three basic models. They are admirably engineered, frequently updated and there is no sign that the product cycle is

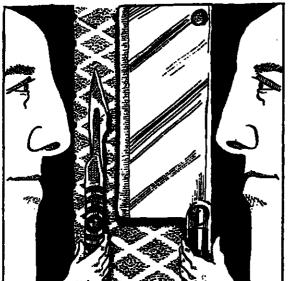
That is all very well for now, say the size-freaks, but it will not last. The car company of the future will obtain enormous savings by basing several distinct models on a single 'platform". Volkswagen, in particular, has managed to use the same platform to

cars under its own name, the nore upmarket Audi, and the cheaper Skoda and Seat

Once this practice is fully mastered, it is argued. single-line producers will be rendered uncompetitive. They will never be able to innovate fast enough, or cheaply enough, to fend off their multi-brand rivals. This may well be true in

the mass market, where Rover competes. But it is much less clear that it applies to BMW's own models. Indeed, a big part of a BMW's appeal is precisely its distinctive engineering, available nowhere else. Its core market is both faster-growing and more lucrative than those of anyone it might link up with. As long as it has the resources to develop new models in its heartland. BMW must surely be better

off steering a lone course. Which leaves the third potential aspect of size: branding. There is no doubt that the cost of building and



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maintaining a global brand is a heavy burd But BMW has already paid those costs. It has a well-developed present around the world; one which outstrips that of many of its mooted merger partners such as Fiat. Even Ford, which is a global brand, does not have the same presence

in, say, Japan as BMW. Now turn to the case of Rover. It is a mirror-image of BMW. It is badly behind on model development; it does not have the internal cash flow to innovate properly; it has no distinctive sales proposition; and it has a weak brand with poor geographical coverage.

Rover should certainly have been taken over - as it was. But in retrospect BMW was the wrong partner. Rover's only chance of survival was as part of a multi-brand company that could immediately offer it an up-to-the minute range of models from platforms shared with other brands.

BMW's real motive in buying Rover was to get its hands on Land Rover, It thought it was worth trying as well, to reinvigorate Rover. Without a platform strategy, this was always likely to be a risky enterprise. And so it has proved. Bernd Pischetsrieder, who made this gamble as BMW's chief executive, has paid the price His former number two, Wolfgang Reitzle, has also lost out – for being too right.

too aggressively. The lesson for BMW is not as outside observers seem to think – that it should quickly find a merger partner. Instead, it must concentrate on what it does best. Alas, that probably eaves no room for Rover

And the lesson for other specialised up-market brands? That there is no half-way house. Either merge with a mass-market business, and ruthlessly exploit shared production even if that results in a loss of uniqueness. Or remain alone, steadfastly developing distinctive products. But do not think that the magic of your core business will utomatically transmit itself to a weaker acquisition. In such circumstances, one and one risk making a half.

peter.martin@ft.com

LETTERS TO THE EDITOR

Change to architecture must fit the framework

framework. For instance, at interpret the IMF agreement

over the years has been very authorising legislation) to clever at finding ways to exclude from US capital mar-

the present time the Interna-

tional Monetary Fund is

required by its charter to

make the same charges to all

IMF treaty to permit the con-

cessionary interest rates

that Prof Eichengreen rec-

ommends for loans to coun-

tries having national prac-

bankruptcy laws in confor-

mity with international stan-

dards would require a treaty

amendment. However, the

legal department of the Fund

tice of accounting and

To change outright the

From Prof Cynthia

C. Lichtenstein Sir. Barry Eichengreen is to be commended for his cogent Personal View "Building on a conse February 2) suggesting the areas of action that may practicably be taken to strengthen the international financial system. But some of the suggestions may

require legal advice. To continue his analogy. any change to the interna-

tional financial architecture must not only be within the engineering capacity of the builders; they must also fit within the existing legal Wrong ingredients in recipe for S. Korea

Sir, As Hubert Neiss, the per cent of gross domestic International Monetary product this year. The Kor-Fund's Asia-Pacific director rightly points out, South ean economy is already on the rise. Further expansion-Korea still has a battle ahead to achieve a sustainary policies would generate able recovery ("South Korea inflation and current account deficits in the near warned on complacency". February 1). The methods future. for recovery he and the DAF recommend, however, are Second: in the area of reform policy, emphasis on going to hinder rather than chaebol reform, by means of creditor banks that are

promote the goal. There are two problems with the new IMF recipe for Korea. First, in the area of the heavy hand of the govwhich was slow to allow fisplunging statistics in the

macro policy, the IMF, ernment that eroded the competitiveness of the Korcal expansion in the face of ean financial and industrial early part of last year, is now exhorting the Korean bols started in the market government to spend more place well before the IMF

sectors. The disintegration of chae-

under governmental control,

is misguided. It is precisely

and more allowing the gov- advised chaebol reform. One ernment deficit to reach 5 may recall that one-quarter of the top 30 chaebols went down in 1997 before the foreign exchange crisis broke out. The reform Korea needs now is an institutional one that would facilitate, by pro-

to achieve desired results.

and perhaps that could be so

here. A trickier issue would

be finding a way under the

agreement to use "more

attractive interest rates" for

countries that issue debt

securities with the voting

and sharing clauses Prof

Indenture Act mandates

such clauses for bonds fail-

ing within its segis, but oth-

erwise the Securities and

Exchange Commission does

not have power (under its

Eichengreen recommends.

market forces. If Korea is going to have a sustainable long-term recovery, the IMF's current recipe for Korea should not be

viding the necessary legal

framework, restructuring by

Suchan Chae. economics dept. MS-22 Rice University 6100 South Main Street.

kets bonds not containing such clauses. Of course, persuading the US Congress to give the SEC power to do so is likely to be much easier than trying to get international agreement on amend-ments to the BMF treaty, and both are more politically fea-sible, as Prof Eichengreen points our, than any move to Equally, the US Trust a global regulator of canital

> Cynthia C. Lichtense Boston College Law School 885 Centre Street,

Strong case of double Dutch

Sir. in case collectors of European Central Bank language may have missed Wim Duisenberg's comments as set out in the markets report on your Currencies & Money page of February 5, they bear repetition. The president apparently said: "There are no clear signals yet of a stronger-than-expected weakening in output

David Lees, Sugar Quay, Lower Thames Street,

Roll on the weaker-thanexpected strengthening.

London ECSR 6DQ, UK

Lessons in innovation and survival from Italian textiles

From Mr Mark H. Lazerson. Sir, Joseph Stiglitz tile district of Prato, designs ("Weightless concerns", Feb cannot be legally patented. ruary 3) sagely appreciates how a rigid intellectual property regime may undermine the new technologies. But

traditional industries may also prosper from an environment that stimulates the

technicians are free to switch employers, so no one firm can ever exercise a lock

and highly skilled fabric

Yes, copying is widespread, but so is continuous incremental change in man-textile industry survives -

firms understand that either petitors. they ruthlessly renew their product line every six months or they will be overtaken. This commitment to innovation and the free circulation of ideas and people is one of the reasons Prato's

ideas. In Italy's historic tex- ufacturing processes and despite paying wages many products. The vanguard times that of its Asian com-

> senior research fellow, Italian Academy for Advanced Studies. Columbia University. 1161 Amsterdam Avenue

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PERSONAL VIEW RONALD I. MCKINNON

last resort

Regional exchange-rate targets are the vital missing ingredient in the debate over an international lender of last resort

and Asian Latin American currency crises still reverberating, deas for making the International Monetary Fund more responsive as a lender of last resort are taking centre

For example, in an address to the American Economic Association in New York on January 3, Stanley Fischer, the IMF's deputy managing director, carefully reviewed Walter Bagehot's 19th century ideas on the proper role of a lender of last resort.

Curiously, Mr Fischer did not state what the exchange rate objectives of the putative new lender or reformed IMF would be - except to note that exchange rates of eligible borrowers should be kept "flexible". Indeed, an emerging consensus among many commentators has favoured greater exchange rate flexibility.

But are untethered exchange rates really consistent with the proper goals of an international lender of

In a world where deflation ary pressures have become more pronounced, currency crises can spread from one country to another through even inadvertent changes in exchange rates. Beggar-thyneighbour devaluations haracterised the breakdown of world trade and capital flows in the 1930s, and increased the remarkable speed with which the east Asian debtor economies were brought down from mid-1997 through early 1998. The fall of the Brazilian Real poses a threat of domino devaluations in Latin Amer-

long-term exchange rate stability should be a prime objective of any new international lender of last resort. Even without a return to par values for scale of the 1944 Bretton Woods agreement, progress on a regional basis to secure exchange rates among countries that are closely connected in trade and finance is still feasible - as the continental European countries showed in 1996-98 leading up

To prevent such conta-

to the launch of the euro in multilaterally, each country declared an exact exchange That is one reason for thinking the IMF cannot play a central role in improving policy, at least in its current form: it has no proper exchange rate man-

two other key limitations of the IMF's legal framework. First, it cannot act until fairly late in a crisis because of the need to negotiate a formal programme with restrictive conditions attached before a loan can

be made. Second, the IMF must negotiate one-to-one with individual member countries. Thus, at the outset of a crisis, the IMF cannot effectively lend to affected countries as a group, for example, by managing some regional stabilisation fund to prevent the crisis from spreading, as in east Asia in 1997.

parity against the dollar and. hence, against each other. In the subsequent era of incredibly high real economic growth, this system of fixed exchange rates lasted for almost 20 years - anchoring the common price level and minimising cross-country With the important excep-

tion of Japan, a common east Asian monetary standard existed before the crises of 1997. By keying on the dollar, the macroeconomic policles of Indonesia, Korea, Malaysia, the Philippines, and Thailand were (loosely) tied to each other - and to those of the non-crisis economies of Hong Kong, Singapore, and Taiwan. Their dollar exchange rates had been fairly stable for more than a decade and, by the purchasing power parity criterion,

The call for an international lender of last resort is a euphemism for reforming the IMF. But an enhanced IMF would be fraught with moral hazard if borrowing was too easy

History's most striking xample of successful interof countries was the Marshall plan of 1948-51. Recogmising that the recovery of any one country was tied to recovery of the European economy as a whole, dollar aid was given collectively to tries, channelled through one secretariat. To be sure, very strong conditionality was attached to each European country: fiscal balance and the elimination of

But Marshall plan conditionality also extended across national boundaries: each western European country had to pledge to work toward current account convertibility and exchange rate stability with its neighbours. The capstone was the for-

mation of the European Payments Union in September 1950. For clearing payments

were more or less correctly aligned with each other.

Besides, insulating each other from beggar-thyneighbour devaluations, these informal dollar pegs had successfully anchored their domestic (wholesale) price levels during their rapid economic growth in the 1980s through to 1996. (Similarly, a credible peg of Y360 to the dollar was the monetary anchor in Japan's own great era of high growth and rapid financial transformation in the 1950s and

The problem with the pre-1997 regime was acute moral hazard in the banking system of the Asian debtor economies. In the absence of gross over-borrowing in for-

dollar-yen rate and so end deflation in Japan, the smaller east Asian econo-

port. China could be the tal controls, the vusn has about Yn8.3 to the dollar for almost five years, inflation has come down to low Amerput growth remains more robust than that of her

With proper bank regulation or capital controls in place, a restored dollar-based again protect the smaller east Asian economies from competitive devaluations. tages are mutual. By being formally part of such an arrangement. Japan could be better protected politically against future American demands to appreciate the necessary for Japan's economy to recover from its

tional lender of last resort is partly a euphemism for and more flexible lending capacity, would be fraught with moral hazard if borrow ing access was too easy.

ied exchange rate changes that substantially affect neighbouring countries. Before they were serially attacked, the exchange rates of all five of the east Asian debtor economies were close to purchasing power parity, and the plight of all five was worsened by

their devaluations Well-defined regional exchange rate objectives, col lectively imposed to prevent cross-country contagion from unwarranted exchange rate fluctuations, would clarify what the putative lender capital controls, this led to of last resort was trying to

Clearly, if Japan and the The author is professor of eco US succeed in stabilising the nomics at Stanford University and visiting Houblonfed opens up

for Schröder

Curse of oil

E EDITOR

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FINANCIAL TIMES

net world.

The market capitalisation of

Yahooi, the leading internet com-

pany, has appreciated by 3,800

worth 480 times expected earn-

ings for 1999. Yahoo is worth

Lynch. America Online, the larg-

est internet company, has risen

by 34,000 per cent since 1992 and

is now worth 273 times expected

or Disney. Both companies would

ahead of Nestle, Shell or UBS.

are over-priced.

lysts on Wall Street.

ferent from other investors?

What do they expect of their

investments? These questions are just as important because the

internet phenomenon reflects a

revolution in the behaviour of US

private investors, as well as in

US private retail investors have

been the most important partici-

pants in the market for internet

stocks. The astonishing price

rises of many internet stocks tes-

tify to the strength they wield.

Appropriately, the internet itself

has made this possible. With the

services of online stockbrokers

they can actively manage their

hour to hour, or even minute to

minute. The Securities and

Exchange Commission estimates

that one in four of all retail stock

trades happen through online

brokerages and the number of

online trading accounts is expec-

ted to exceed 10m before the end

The most extreme manifesta-

tion of this new form of investing

is the day trader - someone who

rapidly buys and sells stocks

through an internet broker hold-

ing investment for hours or min-

utes. Day traders take little or no

interest in what they are buying

and are driven purely by momen-

tum. If a share is going up, they

buy and hold on to it while it

rises and then sell the moment it

Debbie McChure is typical. She

has been day trading for about a

year. She runs the Abilene Book

Store in Abilene, West Texas but

every morning between 8.30 and

10.30, before she opens the shop,

she plays the market. She cheer-

fully admits she often has no idea

appears to be slowing.

about sending accurate signals to investments from day to day,

of the year.

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Tuesday February 9 1999

One in the eye for Schröder

Barely 100 days after he took up to the reality of being a multi-power at the head of a centre-left cultural society. The present coalition government, Gerhard nationality laws, requiring proof Schröder, the German chancellor, of German blood for a would-be has been given a nasty black eye citizen, or very restrictively by the voters. The same political defined qualifications, are anachalliance of Social Democrats (SPD) and Greens was voted out of office in the state of Hesse on Sunday, not least because of the foreigners. The government, perceived muddle at the heart of urged on by the Greens, is right the government back in Bonn. The result is symbolic, for the

red-green alliance in Hesse was seen as a model for the federal coalition. It will also deny Mr Schröder the majority he had hitherto enjoyed in the Bundesrat, or upper house, and make his task of passing new legislation more difficult. He will have to compromise with the 16 federal states, as well as with the opposition Christian Democratic Union, to gain approval for his planned reforms, including tax reforms, and changes in the country's controversial nationality laws.

Indeed, it was precisely the proposed nationality reforms and the government's plan to allow immigrants, to hold dual citizenship which appears to have been most decisive in the Hesse result. The CDU campaigned furiously man. By ensuring that no party against the change and launched enjoys a majority in the Bunde a national collection of signa- rat, they will force all sides to tures to oppose it. According to the exit polls, it was the question which caused most voters to nationality laws. By failing to switch their support to the CDU. That is a disturbing sign of

Germany's unwillingness to face

transparency, its own central

bank, the Federal Reserve, is

stance, even when interest rates

The Fed's rationale for the

change is to make its thinking

clearer to the markets. All too

often, in the absence of an inter-

est rate change, the Fed's view

such imperfect mechanisms as

leaks or speeches by Fed board

were four changes in the policy

stance (the bias towards tighten-

ing or loosening). But even dur-

ing those critical times for the

world economy, the changes were

not immediately revealed. Mean-

while, Fed chairman Alan Green-

span's speeches were scoured for

the slightest hint on prospects for

interest rates, often provoking

severe market reactions. An offi-

cial announcement of changes in

the stance is surely a better way

The Fed has also decided to

modernise its language. Most of

us would have to read the phrase

funds rate would or a slightly

lower federal funds rate might be

acceptable in the intermeeting

somewhat higher federal

members.

been transmitted through

Fed opens up

Although the US has been period" several times before

strident in urging the developing working out that it meant a bias world to improve its standards of towards tightening; the new

hardly a bastion of clarity. Now do more. First, it could commit

the Fed has decided to open up itself to announcing all changes

its thinking a little, by announce in the policy stance, not just

Last year, for example, there And it is an anachronism that

ing important shifts in its policy those it considers important.

ronistic and offensive to immigrants. They are undoubtedly a factor in continuing hostility to to be calling for reform. The CDU campaign could easily fuel a much nastler revival of xenopho-

In other respects, however, the Hesse result should provide a salutary warning to Mr Schröder. He has failed to deliver a clear platform of coherent policies, not least to deal with unemployment, which is his top priority. The government's tax reforms are ill thought out, and could well be counter-productive in discouraging enterprise.

The other most obvious initiative, again urged on by the Greens, was to announce the abandonment of nuclear energy and then think twice about it. It immigrants, or the children of has hardly been an impressive

Yet what the voters of Hesse seem to want is peculiarly Gerreach agreement. That means on tax reform. It also means on give a clear lead in his first 100 days, Mr Schröder has been condemned to compromise.

wording is much less opaque.

But the Fed could, and should,

And if the Fed really does care

the market, it should shorten the

delay between its meetings and

the publication of minutes, as the

Bank of England has done. This

delay means that the minutes of

one meeting are not revealed

until after the next one has taken

place, which makes for some

pretty confusing market signals.

while changes to the policy

stance can now be immediately

announced, the thinking behind

them still takes weeks to emerge.

this for the European Central

Bank. Although it is publishing a

monthly economic bulletin, it

still refuses to release its min-

utes. This leaves far too much

reliance on nods and winks. The

risks of this strategy are made

worse by the fact that the ECB is

a new central bank, and is seen

to be potentially subject to politi-

cal and national pressures. Both

theory and experience suggest

that poorly informed markets are

inefficient; the ECB should take

courage from the Fed, and open

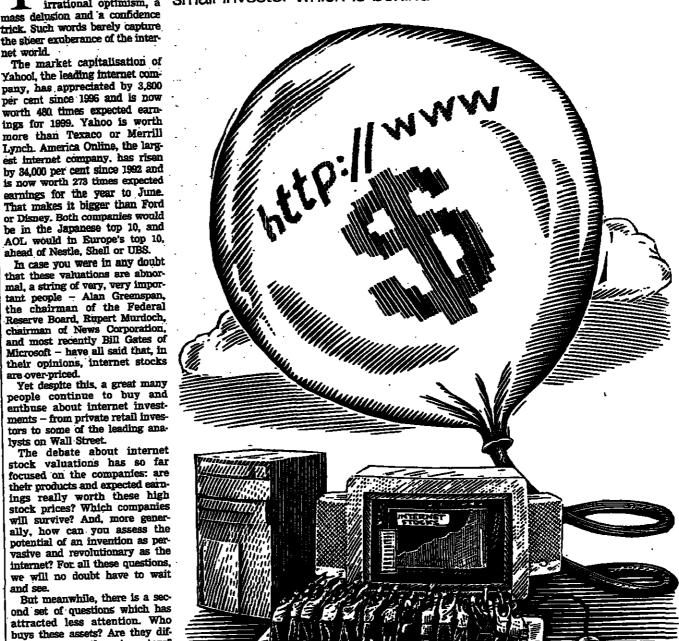
itself up to scrutiny.

Finally, there is a lesson in all

COMMENT & ANALYSIS

Age of the day trader Roger Taylor and John Labate profile a new breed of

he rise in the value of internet stocks has been small investor which is behind the boom in internet shares variously described as irrational optimism, a mass delusion and a confidence trick. Such words barely capture the sheer exuberance of the inter-



what she is investing in.

"Most of the time I do not know what I am buying. To me it is just a string of letters," she says, referring to the ticker symbols of the stocks. But her ignorance seems no hindrance to money making, at least at the moment. She says she started with about \$15,000 and almost Since then, she has managed to has made from the book shop. Day trading is not new. It ecame common in the mid-1980s in Japan, when the largest Japa-

nese companies traded huge blocks of shares very rapidly and made more money by financial engineering than by the more traditional kind. Given what happened to the Japanese bubble economy, this is not a comforting In the US, day trading is a

retail activity, not a corporate one. Guides to electronic day trading have topped the lists of bestselling business books. Internet chat rooms devoted to the trading abound. iVillage.com. a popular internet site for women, suggests day trading alongside childcare as a way to make money working from home.

Most of the large online brokers, such as E*Trade and Charles Schwab, say that day traders make up only a tiny fraction of their business. That is no doubt true, but such traders still

OBSERVER

represent a trend towards greater activism on the part of all US

Not since the 1920s has the average US investor been so obsessed with playing the market. Retail investors are becoming increasingly active. In Silicon Valley it is common for employees to have a their favourite lost it all in the first two months. stock prices constantly displayed on their screens while at work. People are even giving up their

jobs or working fewer hours to 'Most of the time I do not know what I am buying. To me it

> is just a string of letters

more their time to playing the markets. Steve Willens, a doctor in North Carolina, for example now sees patients only in the early morning and late afternoon. Between 10.00 and 12.00 he is trading in and out of the markets from his computer.

The restlessness of retail invesdestabilising element to some parts of the market over the past year. The Nasdaq, with its strong technology weighting, has been far more volatile in the past year

than either the S&P500 index or Dow Jones 30-Industrials.

Some companies have also blamed retail investors for undermining their share prices, much as governments have blamed hedge funds for undermining statement to that effect in December.

retail investors have made in th internet boom has sucked big an infallible system of investing institutional investors into the market, driving prices up further. A turning point for the institutions came last year with the news that America Online would year. The holiday shopping season of 1998 confirmed that electronic commerce was not only a business with considerable notential but an opportunity traditional retailers could not ignore.

However large institutions find it hard to invest in the sector. Apart from a handful of leaders. Internet companies are mostly small, and owned mostly by venture capitalists and founders.

Without the ability to acquire enough shares in the smaller companies to make a difference tors has undoubtedly added a to their portfolios, many firms have been content to invest in the sector leaders, including Amazon.com, Yahoo!, and AOL. Other growing names such as At Home, the internet cable service

provider which recently acquired search engine Excite for \$5.7bn in stock, are also said to be attracting more attention from large investors. Greater participation by the institutions may help to steady the market.

The real question in the internet market is how long shareholders are willing to hang on to their investments. In the case of day traders, the answer may be only a minute. But holding the shares for long periods may begin to make more sense of the current valuations. As Abhishek Gami of William Blair, a Chicago brokerage puts it: "If it's 12 to 24 months [out], these stocks are overvalued, but if you are buying a stock for five to 10 years of performance, some of these stocks look cheap."

Mary Meeker of Morgan Stanley uses Microsoft remind everyone that the astonishing rates of growth that would be needed to justify some internet valuations are not as impossible as they might appear in an industry which has produced some remarkable growth stories in the

Microsoft produced a compound earnings growth of over 40 per cent a year between 1985 and 1995. During that time its share price rose 3,500 per cent. Admittedly AOL's share price has appreciated far faster than Microsoft's. But then the internet is growing faster than the adoption of the personal computer.

Five years of annual earnings growth at 50 per cent would give Yahoo earnings of \$5.5 per share in 2004. Another five years, and it would be making \$41 per share in 2009. It is an awful lot to discount, but it goes some way to making sense of today's share price of \$345.

But even if there is a chance that the some internet stocks will prove a good investment over the next five to 10 years that does not preclude some very sharp falls in the mean time. This is what most concerns politicians and regulators. With the US stock market on very high valuations and supported to a large degree by US retail investors, the damage to confidence produced by a crash in the internet stocks could quickly spread.

This concern is heightened by the lack of experience of many of the traders in internet stocks. Eddie Kwong has been trading shares for over 15 years and runs Realtraders.com, and internet site for day traders. He says that the traders who are keenest on their currencies. GIC, an Internet internet stocks tend to be the entertainment group, issued a newer investors who are "not familiar with the way markets typically behave". He also points All the same, the money that out a disturbing tendency among

That said, internet investors have already had to deal with a fair degree of volatility. Amazon.com. the internet book seller, has seen its shares nearly double be joining the S&P500 index this and then half again since the start of the year.

Whether or not the crash comes, the boom in internet stocks has been a dramatic proof of the power of the internet - a point which is itself used to defend the prices of internet stocks. Whether the increased volatility in stock prices caused by online investors will prove to be a passing phenomenon linked to the birth of the internet, or a permanent change in market behaviour is yet to be seen. In the meantime, the day trad-

ers tend to get what they can. As Ms McClure says: "We don't know how long this will last." And she does not intend to allow the likes of Mr Murdoch or Mr Gates spoil the party.

Curse of oil

Royal Dutch/Shell's \$8.5bn plan to boost Nigeria's petroleum sector should be excellent news. The transition from military to civilian rule now under way comes as the country faces its most serious economic crisis since independence, and Africa's most populous state hadly needs an investor vote of confidence. The danger, however, is that the prospect of an oil bonanza to come will reduce commitment to the promised economic reforms which are so essential to the

country's recovery. The impact of the proposed investment would be dramatic. It would open up new offshore fields and boost Nigeria's 2mbarrel daily oil output by a third, while greatly increasing capacity to exploit its huge gas reserves. The result would generate net income of \$20bn over 25 years.

It comes at a critical moment. A 12-year low in the price of oil, which accounts for 95 per cent of export earnings and 80 per cent of federal government revenue, has seen export earnings fall from \$14.9bn in 1997 to \$9.3bn last year. The timing could hardly be worse, for the crisis coincides with inauguration of a civilian government at the end of May. The election has not focused on the economy. Personality clashes and ethnic rivalry dominate the

campaigns by the three parties in But to its credit the outgoing said about its oil.

military government of Gen Abdulsalami Abubakar has agreed on a policy framework with the International Monetary Fund, which could pave the way to fresh loans and rescheduling the country's estimated \$29bn external debt. Central to the agreement is a pledge to audit the state-owned Nigerian National Petroleum Corporation and monitor the accounts of the central bank. This goes to the heart of the

corruption that is destroying Nigeria Control of oil revenue provides the patronage that dominates Nigerian politics. Unless these pledges are implemented. recovery will prove impossible. As Angola has shown, it is possible to invest billions in a thriving offshore oil industry which is run as an enclave economy, funding a war rather than development.

in Nigeria's case, oil wealth has been squandered in a different way - through mismanaged projects and propping up an unrealistically high exchange rate. Both soldiers and civilians have siphoned off the profits to foreign bank accounts. Kenneth Kaunda, the former Zambian president, once said his country had been born with a copper spoon in its mouth. It proved a curse not a blessing, he observed. Unless Nigeria manages its proposed new investment honestly and efficiently, the same will be

Pushkin trolleys round Tesco British actress Prunella Scales is

all the rage in Moscow, but only because she's been appearing in television advertisements for a supermarket chain back home. Tesco, one of Britain's largest supermarket chains, has just discovered that adverts intended for broadcast in the UK have

been appearing on air in the .. Russian capital. A local station has been running the 40-second snippets as programmes in their own right, the suitably dubbed shopping adventures of an opinionated mum and her put-upon daughter have proved big hit with an audience starved of the sort of exotic fare that's normal in western Europe.

Tesco says it has no idea how the television station got hold of the trolley sagas but it's sent off a letter demanding to know howit found a broadcast quality copy of the ads and warning of breach of copyright. Unsurprisingly, the station hasn't responded.

Kid Kokusai

Nomura Securities, Japan's largest broker, has tended to regard Kokusai securities as an unruly kild brother. For though Nomura has never officially run Kokusai, it's been effectively controlled by Nomura via a convoluted web of shareholdings. | performance, he shrugged off the

To ram the point home, a group of ex-Nomura officials have served on Kokusai's board. to ensure it didn't become too independent. But now Kokusai has had a sweet revenge.

While Nomura's share price has tumbled in recent weeks to below Y1,000, Kokusai's share price has been going in the opposite direction - leaving it trading above Nomura for almost the first time in recent memory. A painful blow, indeed, to the

proud Nomura, which still believes it taught Kokusai everything it knows. What's doubly humiliating through, is the reason for Kokusai's surge: traders hope that Nomura may be planning to sell the stake it owns through related companies in Kokusal, possibly to a foreign group or another rival to Nomura. And lest but not least, Kokusai should record a profit this year unlike the Y200bn pre-tax loss Nomura's expected to produce.

Neat footwork

Sounds as though the recently departed England coach Glenn Hoddle, shown the door after voicing some exotic views on reincarnation, could take a few lessons from Zinedine Zidane, the Algerian-born French striker who emerged as the star of last summer's World Cup finals. Asked whether his pay had gone up after his World Cup

question as having "nothing to do with anything". He was no more forthcoming over gossip about his possible value on the transfer market and explained away enormous transfer fees by pointing out "there are buyers and sellers - that is called a

As for his personal religious beliefs and the place of Islam in his life, he dismissed the question as the reason interview get on his nerves. He retorted: "I don't have to talk to you about all that, I am a sportsman. I can talk to you about sport." Hoddle, eat your heart out.

Blair trading

British premier Tony Blair isn't the twitchy type, but he's running out of time if he wants a real say in who takes over from Jacques Santer as the next president of the European Commission.

With the UK getting closer to serious decisions over its future in Europe, Blair needs to find a credible, high-profile candidate who shares the British economic reform agenda.

But with his favourite, Portuguese prime minister Antonio Guterres, ruling himself out at a recent Vienna summit of European socialists, it's a case of back to the drawing board - with precious little time to find a new

A decision is expected in June. Dutch prime minister Wim Kok would fit the bill and has strong

backing in the foreign office though Blair thinks he'd have a job extricating himself from domestic politics at present.

There are also growing uncertainties whether another Downing Street favourite, former Italian prime minister Romano Prodi, will go all the way to the wire as a candidate. That leaves Nato secretary-general Javier Solana as the horse for Blair to back - though the Spanish government won't say if he'll be nominated.

So there's mounting fear at Number 10 that the affair could end in a Euroland stitch-up that once again leaves the British out on a limb. Expect plenty of shady horse-trading over the next few

Smoked out

Most Russians may be struggling to survive in the wake of the economic crisis that took hold in August, but some are apparently just about managing to keep their heads above water. How else to interpret the somewhat swanky new Embassy Club in Moscow?

Billed as a haven for the elite, members can come in from the cold, rub shoulders and debate the country's problems in smoke-filled rooms. Especially since the centrepiece of the venue is its cigar-smoking lounge. Now the club is trying to recruit an accountant - they're demanding a non-smoker.

*Financial Times 100 years ago

German Naval Competition It is satisfying to find that the Germans acknowledge that they are still behind Great Britain in some respects in shipbuilding, but it is evident that they do not intend to be content with the laurels aiready won. According to the report of the Commercial Attache to the British Embass In Berlin, the German Naval Bill in the spring of 1898, which authorised an expenditure of large sums on new men-of-war [warships] during the next six years, has given a great impetus to the industry, and keener competition than ever must be expected by British

50 years ago U.S. Terms For Europe

manufacturers.

Mr. Paul G. Hoffman, Marshall Plan Administrator, said yesterday that Europe must take immediate and major steps to "break away from its traditional and now inadequate ways of paying its way in the world." He was addressing a joint session of the Senate and House of Representatives Foreign Affairs Committee for support in his request for additional appropriations.

FINANCIAL TIMES

TUESDAY FEBRUARY 9 1999

BUILDING HOMES OF INDIVIDUALITY FROM SCOTLAND TO THE SOUTH COAST



THE LEX COLUMN

Windows on the web

Marry the convenience of mobile phones with the reach of the world wide web and you get the "wireless internet", a killer application that promises to turn the net into a true mass-market product. Within five years, unit sales of fully wired handheld devices (from mobile phones to palm tops) are expected to reach 600m a year - more than three times the size of the personal computer market.

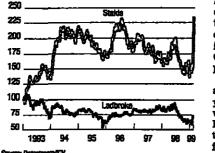
It is no wonder that companies from all corners of the technology and communications universe are teaming up to make this convergence work. British Telecommunications and Microsoft plan to develop the latter's pared-down Windows CE operating system for wireless phones and sell it to BT's corporate customers. Meanwhile. Cisco and Motorola say they will spend \$1bn to build the infrastructure

For consumers all this parallel development is good news, because competing technologies can fight it out until the best wins. For investors, however, it makes picking winners much harder. But one prediction is worth hazarding: Microsoft will not dominate handheld devices in the same way as desktop computing. Its alliance with BT is clearly a secondbest, after the dominant mobile phone suppliers - Nokia, Ericsson and Motorola - preferred to partner the less-threatening Psion. And even BT is hedging its bets: its deal with Microsoft is non-exclusive.

Nomura is right to assert more control over its freewheeling subsidiaries in New York and London. Having lost \$1.2bn overseas last autumn - half in the US property market courtesy of New York, and the rest in Russia courtesy of London a reappraisal was overdue.

Nomura's problem has been its failure to build fee and commission-based investment banking businesses overseas. Risky proprietary trading units of the sort it has built, staking scarce capital on the say-so of bonus-driven managers, have generally become a liability, not an asset. Bringing them under tighter supervision should help the shares, which have almost halved in the last year.

But Nomura should go further. Closing down overseas proprietary operations Share prices relative to the FTSE All-Share index



powerful message, reducing risk exposure and allowing it to concentrate on the ever more competitive Japanese market. But such moves are unlikely. Full retrenchment would be too bitter a pill for Junichi Ujiie, Nomura's international-minded chief executive.

Significantly, Nomura's UK asset securitisation business, one of its most successful proprietary businesses, will not be affected by the changes. That may be rational if the UK business continues to make money because it manages risk better than its US counterpart. But Nomura shareholders will be hoping that the difference in performance is not merely

Share buybacks

One area of corporate activity in Europe has escaped the apprehension born of slowing economies: share buybacks. Nearly \$60bn of them were announced last year. Although estimates of the amount completed vary from \$22bn to \$25bn, this is still about double the previous year's level. With the UK, Germany and France all enjoying liberalisation of buyback rules, a jump to \$30bn.\$50bn in completed purchases is forecast for 1999, according to estimates from JP Morgan and Morgan Stanley respectively. European companies certainly have the financial strength. Net interest could be paid 17 times out of operating cashflow.

The arguments in favour of share buybacks are well-rehearsed. The switch from such as the US property side would send a equity to tax-sheltered debt should mean

that a 10 per cent share buyback adds 3-4 per cent to a company's value. For cash-generative companies in mature markets, managements are rightly acknowledging that they have more cash than they can invest in projects that beat their cost-of-capital hurdle. Diageo, the UK food and drinks group, and BASF, the German chemicals concern, are two exam-

In the US and UK, buybacks already add around one percentage point to the yield on equities. While investors might worry about the blurring of income and less certain - capital gains, the tax advantages suggest that buybacks will account for a growing proportion of European companies' payouts.

Ladbroke/Stakis

Peter George, Ladbroke's chief executive, must wish he could have risked another Coral-style unconditional offer. The fit between Ladbroke's UK chain of Hiltons and Stakis's provincial stock is neat; the strengthened Hilton chain will dominate its four-star segment. Ladbroke's London casino business will also gain from exposure to Stakis's countrywide portfolio and impending deregulation in the sector. That Stakis also has a market-leading position in health clubs makes the deal outstanding for the UK

Clearly the danger is that counterbidders prompt Ladbroke into overpaying. Last year's failed bids for the Inter-Continental hotel chain and the Coral betting business have already put Mr George's deal-making credibility on the line. And yesterday's rapturous market reception for the deal - Ladbroke's shares have been effectively re-rated with a 16 per cent rise - will only increase this pressure. Even now, Ladbroke will be pushed to match its 9-10 per cent cost of capital. Discounted to present value and taxed, Stakis's £110m of forecast 2000 operating profits and £16m of projected central cost savings give a return on the £1.46bn investment of only 6.5 per cent. Against the backdrop of a faltering UK economy in 1999, leveraging the Hilton brand and reservation system to lift Stakis's revenues per available room may be a tall order, but longer-term, the deal should

Nomura centralises global operations after losses

omura Securities, Japan's largest securities house, is imposing centralised control over operations in the US and Europe in an effort to avoid further losses.

Nomura is bringing all global bond trading, equity trading, investment banking and risk management operations under the direct control of four senior Japanese officials based in Tokyo.

The move is a break with Nomura's decentralised management style during the last decade, which allowed each region a good deal of autonomy, and gave non-Japanese staff considerable influence. Although Nomura signalled the

centralisation plan in its interim statement, tensions are believed to have increased recently as business plans for the 1999-2000 financial year were submitted to Tokyo for approv-

The decision was partly triggered by losses last year as a result of the Russian financial crisis and a downturn in Nomura's US real estate

which total at least \$1.2bn, are expected to push the company into a Y200bn (\$1.78bn) pre-tax loss in the financial year to March 31 1996, ana-

lysts say. Masanori Itatani, a Nomura director and spokesman, said: "Before the Russian crisis we believed that local autonomy was a good thing. But our business model has drastically changed after the Russian crisis we are moving from a decentralised

greater centralisation should allow them to be more competitive. The three regional chief executives sit on the group-wide capital allocation mittee. The move has been welcomed by some analysts as a sign that Nomura is starting to take a more streamlined view of its busi-

created deep unease among some significantly undermine their influ

non-Japanese staff in Europe and the US. Some fear the reforms will

The losses have also triggered internal criticism of Junichi Ullie Nomura's president. Mr Uille who was appointed 15 months ago, used to run the US operations and is con-sidered one of the most internation-ally minded senior Nomura officials. He is regarded as the key petron of Max Chapman, the US banker who is the most senior non-lepanese with the company. One Japanese official

said: There is a struggle going on about who will take the blame its model to a centralised model."

Nomura officials insist that the losses!" Nomura vehemently denies it plans any dramatic withdrawal from

overseas operations. However, it plans to reduce sharply its real estate securitisation operations in the US, and cut the costs of its 4,000 overseas staff by 20 per cent. In the US, Nomura said a "signifi-cant number" of staff had recently left Capital America, its real estate

ss, and there had been smeller cuts in other product areas. Additional reporting by Harris in Landon

China wants delay to foreign aircraft deliveries after 2000

Chronic overcapacity to hit suppliers such as Boeing and Airbus

By James Kynge in Beijing

China has asked foreign aircraft manufacturers to postpone deliveries for two years from 2000, in a further sign that chronic domestic overcapa-

city is hurting foreign businesses. An official from the Civil Aviation Administration of China (CAAC) said that airlines would be required to stop increasing capacity until the

market improved He said orders for new aircraft by China's 23 domestic airlines would be strictly controlled in 2000 and 2001 if current corporate losses and

ticket price wars persist. His remarks are a blow for Boeing. the US aircraft manufacturer, and for Airbus, its European competitor. But the 43 aircraft scheduled to be delivered this year are unlikely to be

Wang Zhi, a director at the Civil Aviation Administration of China. said more than 40 aircraft in the commercial fleet would be taken out delivery of 21 Boeing, 20 Airbus and

two MD-90 aeroplanes. The official China Daily newspo per quoted Mr Wang as saying that commercial sircraft manufacturers have been asked to postpone delivery for the two years from 2000. The level of frustration felt by US

business toward Beljing has risen sharply in recent months. US officials have complained of new or threatened restrictive prac-

tices in shipping, pharmaceuticals, telecoms and insurance. Foreign petrochemical companies last month acknowledged delays to

projects worth several billion US dollars because of regional oversupply. Tom Mclean, of Boeing in Beijing, said the company had not been notified of any request to postpone aircraft delivery.

"Boeing will deliver aircraft as planned unless otherwise notified,

Dong Yuguo, of Airbus China, said

the company had received "very few" requests by commercial sirlines for delivery delays. It remains in negotiations with these chents.

But a CAAC official said the decision to delay delivery from 2000 del not rest with local sirines. "This is a government decision," he said. China announced recently that

two thirds of some 600 main mannfactured products are in oversupply, and none is in shortage. It has decided to limit production of many of them as a way of tackling the price wars that have slashed cor-

porate profits. Airlines have been among the most badly hit. Only Xiaman, Yunnan, Xinjiang and Sichuan airlines out of a total of 23 carriers - were reported as profitable last year despite an overall increase in gross air traffic of 6.3 per cent, official figures show.

China halts crude sales to

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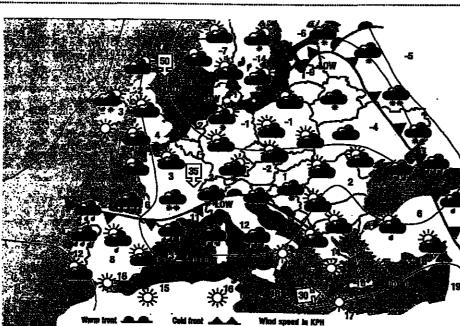
Europe today

Central and northern Europe will have another cold day with freezing temperatures away from the northrest. Heavy snow will affect the Massif Central and the Alps but low-lying parts of southern France will have rain rather than snow. The Poland and most of Scandinavia will have plenty of sun but there will Central and northern regions of Spain and Portugal, together with northern and western Italy, will be very showery, but the rest of the Mediterranean will be fine and dry

to right) Gerald Ford, Jimmy Carter and George Bush. Page 5

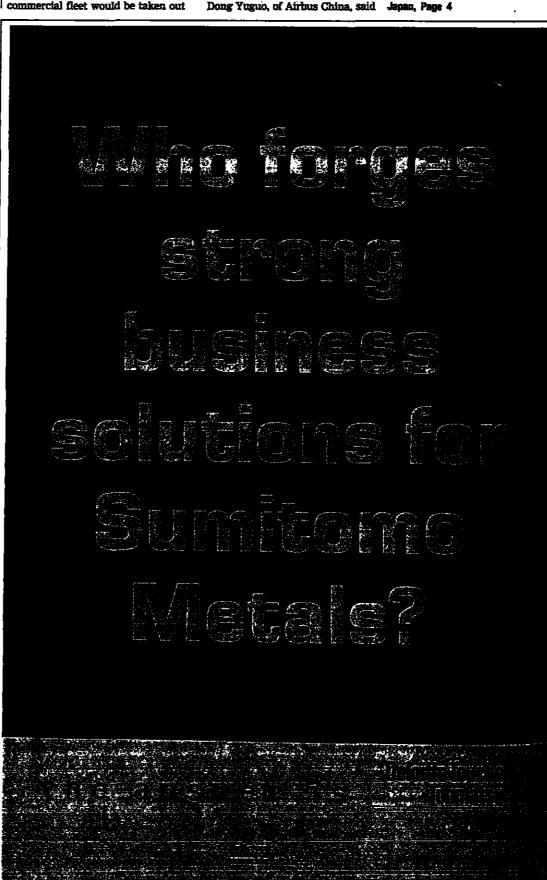
Five-day forecast

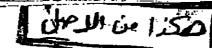
Most of central and north-wester parts of Europe will be more settled by Friday, but it will stay cold with evere night frosts. The central and western Mediterranean will be cool with heavy showers. Greece will be bright and mild at first but rain will



TUDAY'S TEMPERATURES Barcelor Belfing Belfast Belgrade Bermudi Begeta Bornbey Brussela Budapea C.hagan 33000

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COMPANIES & MARKET

TUESDAY FEBRUARY 9 1999

brother **PRINTERS** FAX MACHINES

Petrobrás

search for

opens up

Campos

basin oil

Petrobrás, Brazil's national oil

company, has signed a joint

venture agreement with a group of international oil com-

panies which opens the coun-

try's largest oil producing

region to foreign investment

for the first time. Amerada Hess of the US will

operate the venture which has

three years to explore for oil in

one block in the Campos basin,

off Rio de Janeiro, l'Intil now

Petrobras alone operated this

basin, which produces 885,000

INSIDE

Exchanges to forge global alliance Three leading derivatives exchanges are to offer round-the-clock trading on a single electronic

platform in some of the most actively traded financial products. Mattif, the derivatives arm of the SBF-Paris Bourse, the Chicago Mercantile Exchange, the second largest US derivatives market, and the Singapore International Monetary Exchange will start listing products on a common computer network from June. Page 26

Hoechst shareholders set for boost Shareholders in Hoechst, the German pharmaceuticals and chemicals company that was criticised over the details of its planned merger with Rhône-Poulenc of France, may be the ultimate winners. The two companies have to sell their remaining non-core activities for the merger to proceed and Hoechst investors will benefit from the fact that those of Hoechst far exceed those of the French company. Page 20

Stakis buy heralds more hotel deals With its purchase of Stakis's 54 UK hotels, Ladbroke has doubled the number of rooms under the Hilton brand to 16,000. It should save 216m (\$26m) by combining its administration and marketing arms with those of Stakis. But some observers say the £1.16bn takeover is just the beginning for the sector. Page 22

Okulov shakes up Aeroflot

The blizzard blowing outside the window of the managing director of Aeroflot this weekend was mild compared with the powerful political storm brewing inside his company. In the last few days, Valery Okulov has overseen a radical shake-up that simplifies the corporate structure of Russia's largest airline and concentrates management more tightly in his hands. Page 20

Italian investors embrace euro



On a visit to Milan's new privatised stock exchange last month, Massimo D'Alema, Italian prime minister, admitted he had visited the New York exchange before the Milan borsa, It seems he is not the only one

world's biggest savers after the Japanese, have been reshaping their portfolios to adapt to the euro. Equity funds investing primarily in Italy recorded a net outflow of €178.7m (\$202m) last month but there was a net inflow for funds investing in the euro-zone. Page 38

Jamaica provides support for sugar Jamaica's sugar industry, once the foundation of the island's economy, has been plagued by inefficient production and poor weather, in an effort to improve the situation, the government has provided financial aid and taken control of a

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Global moves on wireless data

and Alan Cane in London

Computer and cellular phone companies form links

Leading software, internet technology and cellular telephony companies plan to create wireless data services that make information accessible anywhere via hand-held computers and "smart" cellular telephones.

as conventional telephones. Alliances announced yester-day by companies including

Microsoft, Motorola, Cisco Systems, British Telecommunications, Netscape and others, signal the rapid convergence of data and voice services in

SmithKline

Beecham

set to sell

healthcare

By David Pffling, Phermaceuticals Correspondent

SmithKline Beecham is

expected to announce the sale

of two US healthcare divisions,

Diversified Pharmaceutical

The sale, which may be con-

firmed as early as today, is an

effort to focus on its core busi-

DPS, a pharmacy benefit

health maintainance organisa-

tions (HMOs) to manage drug

prescriptions cost effectively,

is expected to fetch about

\$700m. The buyer is thought to

Estimates vary widely on

year made operating profits of

290m (\$147m) on turnover of

about £900m. Analysts put the

sale price at anything between

It is not known whether the

two divisions will be sold in

one transaction, or whether

two buyers are involved. SB

last night refused to comment.

come SB's withdrawal from its

so-called "integrated health-

care" strategy, developed

partly in response to the Clin-

ton healthcare reform plans at

Jan Leschly, chief executive

had argued that cost-

containment measures meant

only those companies with

patient information would be

able to increase their sales

effectively. Diagnostics and

treatment would become far

more closely integrated, he

In the event, US healthcare

policy did not develop as

SmithKline - and other com-

nanies such as Kii Lilly of the

US - had envisaged, Strong

patient advocacy ensured that

drug companies were not able

to influence prescribing in the

Analysts said they welcomed

a more focused strategy at SB, saying Mr Leschly had shown

"courage" in admitting his

The company's volte-face

was made easier when Eli Lilly

sold its pharmacy benefit busi-

ness at a hefty loss last year.

"If they packaged the two

together that would be a very

neat disposal," said one Lon

don-based analyst. "Nobody

would shed any tears over the

loss of those businesses. It

would be an earnings

SB, which must compete

with research intensive compa-

nies such as Pfizer of the US,

is likely to use cash from the

sale to license in products and to develop internal projects.

The company, which has some

promising cancer treatments, wants to build a tranchise in

SB, which last year sought

to improve its performance through merger, needs big

products to replace its existing

blockbuster drugs if it is to

maintain strength as an inde-

Augmentin, SB's broad-

spectrum antibiotic, begins to

lose its patent in two years.

Sales of Paxil/Seroxat, an antidepressant, are strong and

growing. But these could be

adversely affected when Lilly's

Prozac loses protection from

generic competition in 2003.

enhancing deal."

that area.

pendent group.

rision had been flawed.

way they had hoped.

the beginning of the 1990s.

Investors are likely to wel-

be a US company.

£400m and £900m

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argued.

ness of pharmaceuticals.

Services.

divisions

Motorola, one of the leaders less internet services.

planned to invest \$1bn over the next four or five years to extend internet standards to cellular networks. They intend to set up four centres - in the US, Europe and Asia - where cellular service companies could test products and ser-

in a separate alliance, Moto-

the wireless communications rola joined with Nextel Com- and arena, mirroring similar munications, a US digital wiretrends in the "wired" world of less communications service telephone and cable networks. provider, Netscape Communications, the internet software

Nextel customers to access a personalised internet "gate- soft yesterday confirmed they way" and exchange e-mail. The companies said they industry in bringing about the data communications services convergence between mobile voice and data services with the internet," said Dan Aker-

company, and Unwired Planet,

an internet software group, to

introduce a service enabling

executive. Netscape will operate the gateway website for the new service while Unwired Planet will provide its "micro-

other software. In another development, Qualcomm, a leader in advanced cellular technology, no subsidiary or partner, teamed with US West, a regional telephone company, to test high-speed internet access via a cellular network. Meanwhile, BT and Micro-

were collaborating on a range This is the first step for the of new internet and corporate to be provided to mobile customers around the world. Sobail Qadri, BTs director son, Nextel chairman and chief of mobile strategy, said the

services would be tested in the UK by some of BT's key corporate customers before being launched worldwide. He said commercial services would be browser" for hand-held devices

the services to BT's 13m mobile customers in 10 countries. Concert, BT's international carrier, would distribute the services where BT had

Paul Maritz, Microsoft executive vice-president, said the cellular data services would bring a step closer Microsoft's goal of enabling information access from desktop PCs, mobile computers, cellular telephones and hand-held computers or from televisions and internet kiosks

BT said it would use Microsoft microbrowser technology for its mobile handsets. The two companies intended to work together on wireless products based on Microsoft's Windows CE operating system

SPECULATION OVER BID FOR GERMAN CARMAKER DRIVES SHARE PRICE UP BY MORE THAN 8%

barrels of oil per day, three quarters of Brazil's oil output. Amerada Hess and its private sector partners British Borneo and Brazil's Odebrecht will also explore for oil or gas in the offshore Santos basin off the coast of São Paulo. Petrobrás will hold the largest stake in both joint ventures, but will have a minor role in exploring the two blocks.

Rex Gaisford, executive vice president for global developnent at Amerada said Brazil's economic turmoil had little bearing on negotiations which began over three years ago.

He said the contracts require the companies: "to carry Petrobras for a certain portion of the expenditure for a total of three wells and seismic surveys. If we are successful, the typical cost for developing one field will be \$1bn."

The Campos block has estimated reserves of 565m barrels of oil and the Santos block has estimated reserves of 2bn barrels of oil and gas. Petrobras has oil and gas reserves equivalent to 16.9bn barrels of oil. Petrobrás is signing joint venture agreements with private companies to develon areas where it lacks sufficient

capital to invest in a loan.

The government has relaxed oil industry regulations and attract investment. It has also allowed companies to export oil produced in Brazil. Mr Gaisford said: "Although the sensible thing would be to sell foill into the domestic market. the important thing is to have dollar prices, isolating us to a certain extent from the vagaries of the local market.

Mr Gaisford said he hoped for an extension of the contract period to 6-10 years.

The services are expected to be available in many parts of the world later this year and industry executives predict that by 2005 "smart phones" and other "information appliances" will be as commonplace

in cellular technology and Cisco, the biggest provider of internet networking equipment, announced a partnership aimed at creating the technology for cellular wire-

BMW rises on talk of takeover

Shares in BMW rose sharply yesterday on speculation that the German luxury carmaker could be the motor industry's next takeover target following the dramatic removal of Bernd Pischetsreider as chairman last Friday.

The strong demand, which saw BMW closing up more than 8 per cent at €726.49 Clinical Laboratories and (\$612), was accompanied by sharp upgrades from analysis recommending the stock as a speculative or strategic buy. Some analysts predicted that

Joachim Milberg, BMW's new chairman, would be forced to take tougher action with ss used by insurers and | Rover, BMW's loss-making UK subsidiary.

Worries about Rover prompted Stephen Byers, the UK Trade and Industry secretary, to visit Rover's plant at Longbridge in Birmingham where he appealed to BMW's the value of Clinical Laborato new leadership to keep it open. ries, a blood and urine diag-Top motor industry leaders have joined analysts in suggesting BMW could find itself the subject of a takeover bid. But few believe the secretive Quandt family, which owns about 46 per cent of BMW, would sell. RMW said the com-

> Heavy losses at Rover and the dim prospects of early recovery lay behind the emoval of Mr Pischetsrieder. He had favoured retaining Rover as a volume carmaker, foreseeing the need for heavy

pany wanted to remain inde-



investments at its Longbridge plant for new mainstream models. Mr Milberg and BMW's largely reconstituted board are expected to retain the broad outlines of that plan. although there are still fears in the UK that Longbridge could

be closed. BMW is expected to decide in the next few weeks how to proceed on replacements for the slow-selling 200 and 400 models which lie at the heart

of Longhridge's problems. The company is expected to make a strong pitch for UK

Covernment aid as a condition of the replacements being built at Longbridge, having compiled studies understood to show the cars could be built more cheaply in countries out-

side the EU such as Hungary. Discussions about government funding for the £1.8bn (\$2.18bn) project are continuing but no formal application

has been made, Mr Byers said after a series of meetings at Longbridge with management and unions vesterday. Urging BMW to keep the fac-

tory open, Mr Byers said: "I hope now the board of BMW will reaffirm their commitment to Longbridge.

British union leaders warned Longbridge would be "substantially slimmed down" with significant further job cuts among the 14,000 employees.

Brazil's hangover, Page 7

Commerzbank to lift risk provisions

Sharp price (6")

By Tony Barber in Frankfurt

Commerzbank, Germany's fourth largest commercial bank, is to make greater than expected risk provisions for last year, indicating that the nation's banking sector may not yet have recovered from the turmoil in international financiai markets.

Commerxbank said Asia's difficulties had caused it to make risk provisions of DM1.75bn (\$1.01bn), below the DM1.86bn put aside in 1997, but higher than the DM1.6bm which the bank, last November, estimated would be neces-

Martin Kohlhaussen, the bank's chairman, who announced preliminary results to its supervisory board yesterday, did not specify what problems had emerged over the past three months to require an increase in the provisions.

Like other European banks, Commerciank has struggled to weather the storms in southeast Asia, Russia and other emerging markets. According to banking analysts in Frankfurt, Commerzbank has had the largest expo-

sure to south-east Asia of all the main German banks over the past two years. However, unlike rivals such as Deutsche Bank and Dresdner, Commerzbank avoided exposure to Long-Term Capital Management, the US hedge fund that almost collapsed last year. In further contrast to its

main German competitors, it was able to improve its cost base by avoiding expensive commitments to investment banking The bank said its net com-

mission income and trading

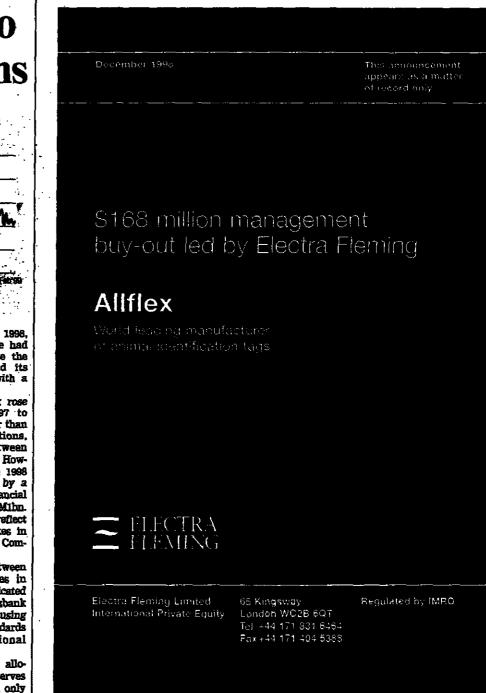
and to man of \$1/12/9 encouraging trends in 1998,

but net interest income had declined slightly because the bank had concentrated its lending on borrowers with a high credit rating. Group profit after tax rose

from DM1.27bn in 1997 to DM1.87hn, slightly higher than most analysts' predictions, which had ranged between DMI.45bn and DMI.6bn. However, analysts said the 1996 results had been lifted by rise in income from financia investments to about DM1bn This appeared partly to reflect the tax-free sale of stakes in Credit Suisse and Banca Commerciale Italiana.

A direct comparison between the bank's performances in 1997 and 1998 was complicated by the fact that Commerzbank switched last year from using German accounting standards to using International Accounting Standards.

The bank said it had allocated about DM1bn to reserves last year, compared with only DM578m in 1997, It also said total assets had risen by 20 per performance had shown cent last year to DM647bn



Half bank profits 'outside their control'

By Clay Harris, Banking Correspondent

investment bankers may fancy themselves masters of the universe, but half their operating profits are determined by macro-economic conditions outside their control, according to a leading ment consultancy.

The extent to which investment banks are prisoners of external conditions is annual bonus discussions.

It emerged in a statistical analysis undertaken by A.T. Kearney of the financial results between 1985 and 1997 of 12 of the world's largest investment banks.

The firm said it had identified six variable factors which had a significant impact on operating profits. But taken together, these accounted for only half of profits. The balance was determined by external faclikely to be the subject of tors such as economic considerable debate during growth, interest rates and

Paul Reyniers, European head of A.T. Kearney's finan- able factors were size, as cial institutions group, said: measured by growth in For a bank with 5100bn in "The harsh reality is that equity capital, and the pattop management will destroy value unless they focus on speed of information and the quality of risk

Mr Reyniers said the analand mergers and acquisitions markets by a "super bulge bracket": Merrill Lynch, Morgan Stanley Dean Witter and Goldman Sachs.

the likes of Charles Schwab,

The most important vari- alone outweighed the additern of investment.

For example, with all other factors remaining constant, each \$1 increase in equity capital lifted operating profits by 18 cents, and ysis pointed to an increasing every \$1 increase in the dominance of the securities growth of non-interest expense - including information technology and personnel - raised profits by 33

But the cost of adding jobs

tional revenues generated. assets, a 1 per cent increase in the rate of headcount profits by \$256m. growth reduced operating profits by \$3.7m.

Increasing overall market share accounted for only 3 per cent of profits, the firm

Doubling market share from one year to the next increased profits in the M&A advisory business - by \$208m for a bank with

Online trading industry

at a level of service

unmatched by other sectors

on the internet, processing

thousands of trades per day

the troubles America Online

faced in early 1997 when the

company's switch to flat-rate

pricing set off a wave of

demand that subsequently

When 36 states accused

the company of fraud and

threatened lawsuits, AOL

was force to pay millions of

dollars in refunds and sus-

pend a new advertising cam-

paign to ensure that its sys-

tem could handle its

crashed its system.

The situation is similar to

with split-second accuracy.

Total average delly trades: 340,00

Ozick & Relly 11,500

size, doubling its share of the low-margin primary debt market reduced operating

The analysis was based on 13 years' results of Bankers Trust, Credit Suisse First Jenrette, J.P. Morgan, Lehman Brothers, Merrill Lynch, Morgan Stanley Dean Witter, Nomura, Paribas Salomon Brothers (now Salo mon Smith Barney), Schroders and Warburg Dillon

DLJ Direct 12,858

Fiction 31,900

Again, the difference is

that when online brokers

suffer outages, their custom-

ers stand to lose much more

than just access to the inter-

net but lost opportunities and sometimes lost dollars.

In the end, the staggering

growth expected for many

online brokers may be

helped, rather than hin-

some third party to test the

capacity of the trading

systems and to make sure

they can handle spikes in

demand," said Stephen

Franco, electronic commerce

analyst at Piper Jaffray.

"Perhaps there will be

dered, by new regulations.

NEWS DIGEST

BANKING

Ex-president of Citigroup to sell \$43m stake

Jamie Dimon, the former president of Citigroup ousted last year, plans to sell 800,000 of his shares in the financial conglomerate, according to a filing with the Securities and Exchange Commission. At yesterday's share price of \$541/4, Mr Dimon's stake is valued at around \$43.4m. Mr Dimon, who was widely tipped to be leader of Citigroup before his surprise departure last year, owned around 3.2m shares including options, as of last March.

Mr Dimon's departure came amid difficulties melding Citigroup's corporate banking business with Salomon Smith Barney, following the merger of Citicorp and Travelers Group. His exit followed a cooling in his once-close relationship with his mentor. Sandy Weill, now co-chairman and chief executive of Citigroup and formerly head of

Rumours have linked Mr. Dimon with financial services groups including Bankers Trust and American International Group, Tracy Corrigan, New York

Hicks Muse fund closes

Hicks Muse Tate & Furst, the private investment and a diversified portfolio of businesses in a wide range of industries. About half of the fund's capital has already been committed to investments and add-on acquisitions by its portfolio companies, the firm said.

Hicks Muse said the fund had raised more than \$10bn

Computer Associates and Computer Management Sciences, a company which provides information technology consulting and software, have entered a merger agreement whereby CA will acquire CMSI through a cash tender offer followed by a cash merger. A wholly-owned subsidiary of CA will offer to purchase

all outstanding shares of CMSI's common stock for \$28 a

PRIVATE INVESTMENT

buy-out firm, has closed a \$4.1bn fund created to invest in

for global private equity investments since its formation in 1989. In addition to the latest fund, Hicks Muse has a \$964m fund to make private equity investments in Latin America. About 20 per cent of the latest fund's limited partners are outside the US, the firm said. Reuters, Dallas

INFORMATION TECHNOLOGY

CA to buy CMSI

share. CA will fund the acquisition through cash balances and existing credit facilities. Financial terms of the deal were not disclosed. The merger has been unanimously approved by the boards of directors of both CA and CMSI. AFX, New York

Regulators turn up online trading heat

Hands-off approach to sector appears to be coming to an end, writes John Labate

ing point for the US that the more or less hands-

As E-Trade, the popular California-based internet broker, was unable to contain a software glitch that left many of its customers stranded for several days. regulators at the state and federal levels began to stir. taking action in the face of growing complaints about slow, or at times nonexistent, service.

Eliot Spitzer, New York State's attorney general, launched an investigation on behalf of consumers.

In Washington, the Congressional Committee on Commerce, led by ranking Democratic member John Dingell, fired off a letter to Arthur Levitt, head of the Securities and Exchange Commission. requesting a briefing about "the capacity and other operational problems affecting online trading

With the industry under greater scrutiny, it remains regulations might take. It have expressed mild concern online broker to guarantee

ast week marked a turn- does seem clear, though, about the temporary service access to fast and reliable online brokerage indus- off approach to the fastgrowing internet investment sector is coming to an end. Some observers foresee a set of guidelines that may for a time curb the industry's

Waterhouse Securities and now E*Trade in recent They see it all as part of the sector's evolution and thrust for new online expect it to be overcome. The recent spate of outages

"If you're still bringing in are sporadic, rarely hitting more than one of the leading new customers at the expense of existing custombrokers simultaneously.

It does seem clear that the more or less hands-off approach to the

fast-growing internet investment

sector is coming to an end

ers, that won't fly," said Alex Stein, a principal and founder of Gomez Advisors. "I think there will be procedural requirements to equate substantial marketing growth with increases in infrastructure, as well as minimum requirements to handle peak volume days."

Angry daytraders, some of whom claim to have lost thousands of dollars in a single day's outage, are less than satisfied. Some say that when some trades do go through, they are left uncertain of the price they actually paid for shares. Many are now forced to open Most industry analysts accounts at more than one

breakdowns that have hit trading on volatile trading

are doing their best to provide more than enough capacity to meet rising trading volumes, but they have also been hit by unprecedented demand in recent months. Leading trading firms such as Waterhouse Securities, now the second largest, say the level of trades processed in January rose by as much as 50 per they are expected to perform existing customer base. cent from fourth-quarter levels.

What is clear is that the troubles with online brokers stem from the dual nature of their business, half internet company and half stockbro-

As online companies, they are forced to spend millions in advertising and alliances to attract the widest internet audience possible. The biggest expense for the industry is not technology, but marketing. Online brokers spend on average about \$300 to attract each new customer

As stockbrokers, however,

ICA plans job cuts and

Management job losses, a

are bidding on the few pro-

Quintana, for the sake of total capitalisation. keeping its engineers

are in the works, said Ber- remain as inflated as in atility. recently concessioned air-

As part of the restructurwill sell \$200m-worth of noncore assets, including golf courses, a power plant, a hotel, and a few parking lot acquisitions that have since soured. But the bulk of the cost cutting will come from the surprise sale of its stake in clearly profitable projects. in Ferromex, Mexico's north-"It's difficult to stick to ern Pacific railroad, which

> The funds will lighten ICA's hefty debt by nearly As of the third-quarter of

Mr Quintana says ICA has

employed. As a result it has learned lessons: not to put seen operating margins slip up company equity in order by a third. But now there to win a contract, and that tion company is trying to dig will be a Chinese Wall any new project financing its way out of trouble with a between the construction will be backed by the project restructuring plan to cut and the investment sides of itself. But first it is faced with the double challenge of Mr Quintana vowed that winning scarce new projects ICA would not participate in and getting financing, which upcoming airport privatisa- has become inaccessible tions if bidding levels with continuing market vol-

> Since the 1994 devaluation. government-sponsored projects have dried up while the ing, ICA has announced it country has seen an influx of foreign builders from Europe and Asia, heating up competition.

So all eyes are on tenders to upgrade three refineries owned by Pemex, the staterun energy company, scheduled for tender this month. ICA, together with US and Italian partners, is one of half a dozen consortia in the running for the construction contracts, worth an estimated \$1bn.

If ICA does not win one say analysts, 1999 earnings will inevitably be affected.

about Chubb as a possible

Chubb expected the trans-

action to result in decrease

in earnings of about 2 per

cent in 1999, followed by a

Shares of Executive Risk

have been under pressure

over the past year due to

concern over exposure to

losses related to lawsuits

against executives for failure

to properly prepare their

slight increase in 2000.

takeover target.

Free PCs come with taxing demands

By Roger Taylor in San Francisco

People who are reluctant to buy a computer because they know the price will be much lower in a few month time, can finally stop waiting. A Californian company has this week announced the arrival of the free PC.

From its website - freepc.com - the company is offering a Compac PC with a 333Mhz processor and 32MB of Ram for nothing. If that offer is not tempting enough, the company is throwing in a free internet access service as an added incentive.

The catch? To qualify, you must give the company a good deal of personal information about yourself, agree to use the machine for a minimum amount of time each month and accept some particularly invasive advertising.

The personal information is used to pick suitable advertisements to display on the computer screen. These prominently in a frame around the working part of the screen.

And just in case you thought you could avoid them, by staying off-line, computer and will be present even when you are not con nected to the internet.

Free-PC is the brainchild of Bill Gross, chief executive of Idealab, an internet development company which has spawned a number of other internet ventures including eToys, an online toy retailer The company is initially giving away 10,000 PCs in a

trial. A number of industry com mentators have long pre-

dicted the advent of the free PC as a way to promote online services. With the cost of a PC now

falling below \$500 and the cost of acquiring new customers through traditional forms of promotion at or above that level for many businesses, it makes incressingly good economic sense to give away computers for nothing. The Free-PC venture is

being backed to the tune of \$10m by USA Networks which operates a number of online businesses including Ticketmaster, Online-Citysearch and Home Shopping Network. Compaq will also benefit from the trial as the free PCs will direct users to its Altavista internet search

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the shareholders of Nokia Corporation (the "Company") of the Annual General Meeting to be held on Wednesday, 17th March, 1999 at 3:00 p.m. at The Helsinki Fair Centre, Congress Wing, Congress Hall C1, Rautatielaisenkatu 3, Helsinki, Finland, Registration of the persons present who have given a notice of their intention to attend will commence at 2:00 p.m.

The following matters will be on the agenda of the Meeting:

The matters specified in Article 12 of the Articles of Association: (a) review of the annual accounts. comprising the Profit and Loss

Account, the Balance Sneet, the Annual Report of the Board of Directors and the Consolidated Accounts: (b) review of the Auditors' Report, (c) approval of the Profit and Loss Account, the Balance Sheet, the

Group Profit and Loss Account and

the Group Balance Sheet; (d) decision on any measures to which the profit or loss shown in the approved Balance Sheet or Group Balance Sheet may give rise; (e) decision on discharging the and the President from liability;

members to serve on the Board of Directors; (g) decision on the remuneration o be paid to the members of the Board of Directors and to the

(h) appointment of members of the

Board of Directors: and

(f) decision on the number of

(i) appointment of the auditors A proposal by the Board to amend Articles 2, 4 and 13 of the Articles of Association essentially to the effect (a) the share capital be converted

into euros and the minimum and maximum amounts of the share consequence of the conversion; (b) the nominal value of shares be split two-for-one and converted into (c) the classes of shares A and K

be consolidated and Article 13 concerning liability to redeem shares be modified as consequence of the consolidation; (d) a provision concerning the omination Committee be inserted In the Articles of Association. A proposal by the Board to increase the share capital of the Company by €36.051,274.79

(FIM 214,351,146.06) through a

bonus issue. The nominal value of

each share be increased to 24 cents

by a transfer corresponding to the

emount of the increase from the

share premium fund to the share

A proposal by the Board to issue 36,000,000 stock options, which entitle to a subscription for 36,000,000 Nokia A shares, to key personnel of the Nokia Group and to a wholly owned subsidiary of the Company. The stock options are intended as part of the incentive program for key personnel of the Nokia Group. 12,000,000 of the stock options will be marked with

the letter "A", 12,000,000 with the letter "B" and 12,000,000 with the letter "C". Each stock option will to a subscription for one Nokia A share with a nominal value of 24 cents. The share subscription. price for the stock option "A" will be the trade volume weighted average price of the A share on the Helsinki Exchanges on in the inclusive period of 8th-12th March, 1999 divided by two, for the stock option "B" the trade volume weighted average price of the A share on the Helsinki Exchanges during the last five trading days in March 2000 and for the stock option "C" the trade volume weighted average price of the A share on the Helsinki Exchanges during the last five trading days in March 2001. If the Annual General Meeting decides to give a special dividend, which decision is a deviation to the dividend policy of the Company, the amount of this special dividend will be reduced from the share subscription price which has already been determined. The period for the subscription of the shares will commence for the stock option "A" on 1st April, 2001, for the stock option "B" on 1st April, 2002 and for the stock option "C" on 1st

April. 2003. The share subscription period will and on 31st December, 2004 for all the stock options.

A proposal by the Board to authorize the Board to decide on an increase of the share capital within a year as of the decision taken by the Meeting by a maximum of £28,800,000 in one or more issues. A maximum of 120,000,000 new shares each with a nominal value of 24 cents would be offered for subscription at a price and on terms determined by the Board. The Board also proposes to be authorized to deviate from the shareholders' preemptive rights to that from the Company's perspective important financial grounds exist such as financing of a business acquisition or another arrangement. It is also proposed that the Board be authorized to

decide that a share subscription may be made in kind or otherwise On certain terms. A proposal by the Board to amend the terms and conditions of the bonds with warrants issued in 1994, 1995 and 1997 due to the conversion of the nominal value of the shares into euros and the bonus

A proposal by the Board to increase the capital of Nokia Corporation Foundation by €2 million to be used for the purpose of the Foundation to support the scientific development of the data and telecommunications technology and to promote the instruction in this field in Finland.

The Accounts and Annual Report The accounts for the 1998 financial year and details of the proposals mentioned in paragraphs 2-7 above will be on display from 10th March, 1999 at the Head Office of the Company at Nokla House, Keilalahdentie 4, Espoo, Finland, and the offices of Enskilda, Skandinaviska Enskilda Banken at 2 Cannon Street, London EC4M 6XX Copies of the documents and the full English will be available at the Head Office of the Company and will be sent to shareholders upon request to the Registrar. Such copies will also be available upon request at Enskilda from 10th March, 1999. The annual report is available at the internet page of Nokia (http://www.nokia.com) from 3rd March,

Right to Vote Shareholders who are registered on the register of the shareholders held by Finnish Central Securities Depositary Ltd on 12th March, 1999 at the latest and who wish to exercise their voting rights at the Meeting must give notice to the Company of their intention to attend on 12th March, 1999 at 6:00 p.m. at the latest. Notice may be given to the Shareholders' Registrar by telephone during office hours +358 9 180 7542, or in writing to the Shareholders' Registrar, Nokia Corporation, P.O. Box 226, FIN-00045, Nokia Group, Finland or by telefax +358 9 452 3189. Written notice should arrive on 12th March, 1999 at

Payment of Dividend The record date for the dividend for 1998 is 22nd March, 1999. The Board will propose to the Meeting a dividend of FIM 5.75 for each share and that the dividend be paid on or about 30th March, 1999.

Composition of the Board of Directors

Casimir Ehmrooth, Chairman of the Board, has announced that he will no stand for reelection at the Annual General Meeting to be held on 17th March, 1999. The Nomination Committee appointed by the Board of Directors has prepared a proposal on the composition of the Board to be made to the Annual General Meeting. The Nomination Committee has informed that it will propose that the number of members of the Board of Directors be nine and that Pirkko Alitalo, Edward Andersson, Paul J. Collins, Jouko K. Leskinen, Jorma Ollila, Robert F.W. van reelected to the Board, and Bengi Holmström be elected a new member of the Board, until the closing of the following Annual General Meeting, Mr. M.I.T. in Massachusetts i Forenta

Board of Directors of Nolda

asset sales to lift margin neglected returns, admits Mr 26 per cent of the group's

ICA the subway and tunnel builder and Mexico's largest engineering and construccosts and boost sagging

most battered sectors.

prompted brokerage Salomon Smith Barney to upgrade ICA stock from "hold" to "buy", other analysts are more sceptical that ICA will hold to its new pledge to get involved only specific rates of return when ICA acquired only a year

everybody and their brother

In the past ICA has often 1998, net debt represented

jects out there," said one half to \$530m by end of 1999.

Insurance Correspondent

the

savings of about \$16m-\$18m,

was not primarily about cut-

tion," Mr O'Hare said. "This

is going to increase substan-

"It's about revenue genera-

Chubb,

shares

6:00 p.m. at the latest.

rom is Professor of Economics at

Espoo, 29th January, 1999

in Mexico City

the business, he claims margins.

\$400m debt repayment and the sale of far-flung assets nardo Quintana, president, in an effort to boost prospects in one of Mexico's While the moves have

the pickings are so slim, and

Chubb to buy Executive of our most profitable speci- helped to fuel speculation

ality lines, which is execu-

tive protection." New The terms of the deal call Jersey-based general insurer, for Executive Risk shareagreed yesterday to buy holders to receive 1.235 Executive Risk, a Connecti-Chubb shares for each Executive Risk share. Chubb cut-based company that covers corporate directors and shares fell \$3%, or nearly 7 per cent, to \$54% in midday officers, for about \$748m in trading. Based on that price, Dean O'Hare, Chubb's the deal valued Executive

chairman, said the acquisi-Risk at about \$748m. tion would generate annual The deal comes about a week after Chubb reported lower fourth-quarter profits, but he emphasised the deal continued to deteriorate.

as prices in the standard commercial lines business The decline in profits fol-

businesses for the year 2000 computer problem. lowed several disappointing tially our ability to grow one quarters last year, which

But Mr O'Hare said: "I am extremely confident that Executive Risk's book is well protected from year 2000

Financial Times Surveys

Broadcast Media

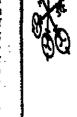
Thursday April 8

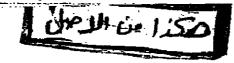
For further information please contact:

Tel: +44 171 873 3760 Fax: +44 171 873 3062 email: justin.mafham@FT.com

FINANCIAL TIMES

Justin Matham in London





MEWS DIGITS

i3m stake

m Muse fund closes

THEM TECHNOLOGY

b buy CMS!

Free PG come wi taxing g demand

official ur

thought

Corporate Finance - January '99 Top Banks of the Year

Investment Bank of the Year Equity-Linked House of the Year

Corporate Finance - December '98

Deals of the Year

Equity-Linked Offering of the Year - Swiss Life GEMMS Equity-Linked Offering of the Year - Bell Atlantic (runner-up) Equity Offering/Privatization of the Year – Swisscom Syndicated Loan of the Year - GEC International Bond Deal of the Year - KPN (runner-up) Yankee/144A Bond of the Year – Akzo Nobel (runner-up) Buyout of the Year - Investcorp/Watmoughs - BPC Buyout of the Year - KKR/Willis Corroon (runner-up) M&A/Demerger of the Year – Coca-Cola Beverages (runner-up)

Euromoney -- January '99 Overall Winner of the Poll of Polls

High Yield Bond of the Year – Sirona (runner-up)

- No.1 Underwriting

No. 1 Trading

- No.1 Advisory

Institutional Investor – January '99

Deals of the Year Coan of the Year - GEC

Equity-Linked Deal of the Year - Swiss Life GEMMS ---Privatization Deal of the Year - Swisscom

Securitization Deal of the Year - Optimum Finance Derivatives/Reverse Convertible of the Year - Goal

International Equity Review – January '99 Deals of the Year

Best Equity-Linked Debt Issue - Swiss Life GEMMS Best Swiss Equity Issue - Swisscom

Best Privatization Issue - Swisscom

Most:Impressive Lead Manager of European Equity Issues

International Financing Review - January '99 Review of the Year 1998

European Equity House of the Year Equity-Linked House of the Year European Equity-Linked House of the Year

Equity-Linked Issue of the Year - Swiss Life GEMMS European Equity-Linked Issue of the Year – Swiss Life GEMMS

Privatization Issue of the Year - Swisscom

DM Bond of the Year - KPN

European Project Finance Loan of the Year - Saltend

Warburg Dillon Read, named "Investment Bank of the Year", Corporate Finance, January 1999.

Warburg Dillon Read

An investment bank of global intelligence

sia turmoil fails to dent Schering

By Tony Barber in Frankfust

Schering, the German pharmaceuticals group, said yesterday it had suffered a sharp drop in sales in Japan and south-east Asia last year as a result of the region's financial and economic turmoil, but that a good performance in Europe and the US had made up the difference.

The share price of the Berlin-based company dropped by more than 2 per cent after the published pre-

Asia had fallen by 28 per cent and sales in Japan had fallen by 10 per cent.

> Schering became caught un last year in a controversy over fake contraceptive pills that found their way on to the Brazilian market, the company said sales fell by

> Schering's results are expected to mirror those of other German exporters

liminary 1998 results showed which relied increasingly Asia and Latin America company's best-selling prodthat turnover in south-east last year on buoyant markets in Europe and the US to offset difficulties in Asia and, to a lesser extent, Latin In Latin America, where America.

> Schering's sales go outside Germany. exchange rate developments were particularly noticeable in south-east Asia, Latin

America, Turkey and

Japan," the company said.

Reductions in earnings in

Schering, which in Novem- to DM720m. About 85 per cent of

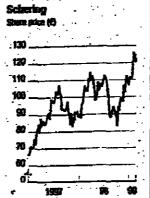
Europe and the US."

ber became the first German company to proceed with a keted in the US under the buy back of its own shares, said overall group profits accounted for more than had risen by 7 per cent last year to DM478m (€244m, US\$276m) while group sales in terms of D-Marks had increased by 3 per cent to

were fully offset by good uct, which is used in the business development in treatment of multiple sclerosis, increased by 7 per cent

The product, which is marname of one-third of turnover in Schering's therapeutics division, which reported an almost 5 per cent increase in sales to DM2bn. Sales of the company's fer-

Sales of Betaferon, the tility control and hormone



therapy operations increased by 8 per cent to DM2.27m. but sales of diagnostics products fell by 6 per cent to

MSDW Spanish presence

By Tom Burns in Madrid

Morgan Stanley Dean Witter. the global US financial services company, is expected today to boost its local presence in Spain by acquiring AB Assores, the securities house, in a transaction thought to be worth \$300m-

The takeover will give Morgan Stanley an edge over other overseas companies seeking a slice of Spain's mutual fimds business.

The absorption of Asesores, which is Spain's biggest non-bank financial services group with \$4.3bn under management at the end of last year, also highlights the vulnerability of domestically orientated institutions in the euro-zone

Salvador Garcia Atance, a founding partner of Asesores and its chief executive, said: "When a global institution like Morgan Stanley decides that a local presence is important it is because that is what investment banking will look like in the future. We ourselves would have had difficulties in the long term without a global dimen-

Morgan Stanley, which last year obtained the largest share of Spain's merger and acquisition business, and became the leading issuer of Spanish equities, now moves forcefully into the domestic retail market with an Asesores network of 44 nationwide offices serving 40,000 high-net-worth clients.

Merrill Lynch travelled along the same global-local (The German industrial industrial region. The deal is cent and Gea's by more than road to enter the Spanish market three years ago when it paid \$29.7m for FG. a Madrid firm that at the time rivaled Asesores as an indenendent broking house. Last year Merrill said it would move into private banking in Spain by opening four regional offices, one of which is already operating

The Morgan Stanley deal is different because Asesores already runs a strong private banking franchise modelled on that of US financial services institutions, and comes at a time when the domestic mutual fund business has gathered a seemingly unstoppable momentum.

In the past three years Spain has become a star performer in the asset manage-Managed mutual funds at

the end of last year totalled approximately \$245bn, up from \$125bn in December 1997 and forecasts for the compound annual growth rates over the next four years range from 13 per cent to 22 per cent.

Overseas institutions have found it hard to penetrate the market because more than 90 per cent of the funds under management are controlled by Spain's commer cial and savings banks. International fund management groups have been forced to negotiate distribution agreements with big domestic institutions.



Reconstruction and Develop

Yen 50,000,000,000 Roating rate notes due 9th February 200 i Nodce is hereby given that

the notes will bear interest at 0.77375% per annum from 9 February 1999 to 9 August 1999, Interest payable 9 August 1999 will amount to Yen38,902 per Yen 10,000,000 note.

Gobal Agency and Trest Services Ottibanik, N.A., London CITIBANC

AEROFLOT MD HOPES MANAGEMENT SHAKE-UP WILL PUT AIRLINE ON THE RIGHT COURSE

may boost Clear for take-off despite storms

By Andrew Jack in Moscow

The blizzard blowing outside the window of the managing director of Aeroflot this weekend was mild compared to the powerful political storm brewing inside his

In the last few days. Valery Okulov has overseen a radical shake-up that simplifies the corporate structure of Russia's largest airline and concentrates ement more tightly in his hands. Where there were six senior vice presidents and many little "empires" across the group, now there are two first deputy general managers reporting directly to him. The management committee of 20 has been cut

to 15. As the company yesterday announced its results for last year, Mr Okulov conceded that the company had scraped a small profit amid tough conditions for the cargo and passenger busi-It is a move designed

above all, he said in an interview, "to tighten control of transparent. We want the elder daughter. company to be more attracbuild a completely new Aero-flot." He stressed that all links with the airline's international investors and business partners would remain

By Tony Barber in Frankfurt

near-collapse in 1993.

launched a strategic realign-

day when it announced

cialising in advanced-

MG said it would use 20m

of its own shares plus cash

to buy a 74.85 per cent stake

technology machinery.

the case for the recent changes in purely manage-rial terms, stressing that "we don't consider it to be a question of personalities". Since the state sold a 49 per cent stake in 1994, the group has come a long way, closing a number of routes that had been operated for reasons of prestige more than profit and noticeably improving

customer service But in Russia it is hard to separate business from politics, especially in view of those who have been reshuffled. Insiders say the changes that have taken place are the latest development in a long-standing conflict between Mr Okulov's team and a group of executives within Aeroflot closely connected to Boris Berezovsky, the business "oligarch".

Mr Berezovsky helped to

bankroll President Boris Yeltsin's re-election in 1996, and is reportedly a friend of Tatiana, his younger daughter. Mr Okulov, who became managing director in May 1997, is a career navigator for Aeroflot. He is also marthe company and make it ried to Elena, Mr Yeltsin's

While Mr Berezovsky tive to investors. We want to denies he has any connection with Aeroflot, others suggest he indirectly owns a significant proportion of shares. Some insiders argue he was behind attempts at

group Metallgesellschaft, estimated to be worth more 20 per cent. MG said its which has returned to profit than €310m (\$350m), based future engineering sub-

MG described the purchase

ing in which it will with-

systems division, concentrat-

ing instead on two core

activities - engineering and

Investors welcomed the

last week of €15.70.

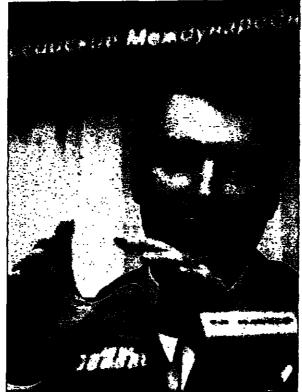
after being rescued from on MG's closing share price

ment of its business yester- as part of a wider restructur-

plans to acquire Gea, a draw from metal trading and

medium-size company spe- dispose of its building

chemicals.



Hands on: Valery Okulov has taken greater control

in Gea, based at Bochum in acquisition, pushing up mainly from higher productise in this year's group prof-the heart of Germany's Ruhr MG's share price by 14 per tivity, joint purchasing and its of more than 10 per cent.

have joint annual sales of DM3bn. However, the com-

almost DM10bn (€5.1bn, pany reported yesterday that

Tour Group and Aeroflot

Importantly, a number of key executives at Aeroflot are said to be close to him. Above all, Nikolai Glushkov, who worked at Mr Berezov-

Metallgesellschaft aims to buy Gea

subsidiary that specialises in

turn-key plants and engi-

Co-operation between Gea

and Lurgi would bring addi-

acquire equity from existing Aeroflot, went back to Logo-shareholders via Aeroflot VAZ but remains on the air-VAZ but remains on the airline's board.

> between Mr Berezovsky and the government of Yevgeny Primakov, and raids by prosecutors on companies linked

other cost savings

group, consisting of Gea and US-based oil and gas trading net profit by 20 per cent to

Lurgi, a Frankfurt-based subsidiary incurred heavy DM192m. MG is acquiring its

neering technology, would shareholders more than is pooling shares from insti-

its net profit in 1997-98 had

record DM303m, and sales

tional annual earning poten- had increased by 18 per cent advised the selling consor-

tial of at least DM100m, to DM21.4bn. It predicted a tium of Gea shareholders.

With relations tense to the oligarch, Mr Okulov at Moscow's Sheremetyevo the start of this year to sky's LogoVAZ group, joined appears to have taken airport.

MG ran into trouble more exports for about 80 per cent

than five years ago when its of its sales, increased its 1998

losses, leading to a bail-out stake in Gea from Guver-

that cost creditors and zeller Bank of Zurich which

risen by 28 per cent to a Lynch acted as MG's advis-

remains. But others who have lost their places in the reduced management committee were in the Berezov-Aeroflot's commercial director, a former LogoVAZ

So far, Mr Glushkov

executive, was suspended last week following an inter-nal audit inquiry. The head of Aeroflot Group Tours is expected to leave soon. Avto-VAZ is no longer the airline's bank. And while Mr Okulov will not confirm that links with Andava will be cut, he stresses that future contracts will be the result

of competitive tenders. Whatever the reasons. analysts argue that the consolidation of management is positive for shareholders although the outlook still remains bleak in an airline market severely shaken by last year's crisis.

Steve Thomson, with United Financial Group in Moscow, says: "Aeroflot is by far the most likely airline to survive, but it's survival by attrition, not by strength."

The battle may not be over. Yet Mr Okulov is pressing ahead with his business plans, including the continued development of Aeroflot's hub system across Russia, and the \$70m first phase of a dedicated third terminal

which relies on

tutional and private inves-

tors as well as from the Gea

founder family. Merrill

ers in the deal. JP Morgan

in change

By David Owen to Parts

of strategy

nuclear construction and

connectors company, has

unveiled a re-organisation

that may facilitate the exit of Alcatel, a leading share-

holder, from the nuclear

The French telecommuni-

cations equipment group is understood to have had talks

with the French government

about swapping part or all of

its 44 per cent interest in

Framatome for something

One option would be to

exchange the stake for more

shares in Thomson-CSF, the

defence electronics company

in which Alcatel has a 16 per

Another might be to con-

centrate its Framatome hold-

cent interest.

closer to its core activity.

Mindev sues Ashanti in gold dispute

Mindey and Associates, the Belgian mining company, is suing Ghana's Ashanti Goldfields for \$300m after a protracted dispute over the implementation of a share purchase agreement in a gold concession in the Democratic Republic of the Congo.

The move underscores what mining analysts say is the lack of a consistent mining policy in the Democratic Republic of the Congo. It has fuelled official corruption and led to litigation pitting foreign mining houses against each other and against the government.

As a result of this and political instability, many of the companies who rushed to seize what appeared to be a golden opportunity to exploit some of the world's richest mineral deposits after the overthrow of the late dictator, Mobutu Sese Seko, have found themselves unable to keep to investment programmes

They have also been hampered by the growing reluctance of banks to provide financing.

Ashanti began negotiations to buy Mindev shares in the 2,000 sq km Kilimoto gold field in the north-east of the Congo in 1996.

Two civil wars in as many years, as well as the illegal handling of the concession by Congolese officials, have stalled exploitation of the area, believed to contain some of the most concentrated deposits of gold ore on the continent.

dev's claim hinges on delays cession in the near future to in honouring an original exploit the gold.

provisions for an investment of more than \$200m. It is also alleged that the company capitulated to a bid hy Ashanti to take over its concession after its contract was illegally revoked by a A court in Brussels, ruling last Friday on procedural matters only, issued an injunction enforcing confidentiality obligations on

iokohamia.

ister's beats forecasts

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mese company delays flow

Bank in double link

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issues that arose during ser-Her mediation. As a result, Mindey will have to reissue a request for arbitration at the International Court of Commerce in Paris, withdrawing allega-

tions that mediation had failed due to Ashanti's "bad faith" It was only at the end of last year that the Congole government recognised Ashanti's rights to the concession. This followed the arrest of several Congolese mining officials for the role they played in awarding it

illegally to a third company, Russell Resources. it was also after the area in which the concession is situated had fallen under the control of Ugandan-backed rebels fighting to end the two-year rule of President

Laurent Kabila Ashanti's legal team said they were confident the claims against the company were "unfounded", and added that they were suing Mindey for damages at the International Court of Commerce. They were less confident that they would be able It is understood that Min- to access the Kilimoto con-

NEWS DIGEST

BEVERAGES

Pernod Ricard sale plan revives speculation

Pernod Ricard, the French drinks group, is set to sell Yoo-Hoo, its US chocolate drink subsidiery, in a move that yesterday revived speculation that the planned sale of its drinks unit Orangina to Coca-Cola of the US was imminent. Pernod Ricard said it had appointed J.P. Morgan, the US investment bank, to examine the future of Yoo-Hoo and to "study the future of Yoo-Hoo, after the eventual le of Orangina"

Its 1988 acquisition of Yoo-Hoo was motivated by the potential for synergies with the Orangina brand. Last year, Dominique Strauss-Kahn, French finance minister, blocked the FFr5bn (6762m. \$860m) sale of Orangina on the grounds that the transaction threatened to distort competition in the French soft drinks market. The transaction was strongly opposed by PepsiCo, Coca-Cola's US rival. which has an agreement to sell its products in France through Orangina's distribution network. People familiar with the negotiations yesterday said Coca-Cola had maintained contacts with the finance ministry after the veto. A final agreement allowing the sale to go ahead is thought to be held up by the failure to agree on a definition of "soft drinks consumed outside the home". Samer Iskandar, Paris

Framatome TRAVEL SERVICES

Accor to buy Frantour stake

Accor, the French hotel and travel services group, yesterday said it had reached an agreement to buy 65 per cent of Frantour, the hotel and tourism company controlled by SNCF, the public railway operator. Accor also offered to buy the remaining stakes held by minority shareholders. The acquisition, for an undisclosed amount, will add 30 hotels and 86 travel agencies to Accor. Last week Frantour sold its restaurant operations to Autogrill, of Italy, for FFr320m (649m, \$55m). Samer Iskandar, Paris

PLATINUM

implats settles disputes

Impala Platinum of South Africa (Implats), the world's second biggest platinum producer, has settled a 10-year-old legal battle with the Batokeng tribe over mineral rights, ending the uncertainty that has plagued the company's management and depressed its share price. Implats and the Royal Bafokeng Nation said all disputes had now been

With effect from July last year, implats will increase its royalty payments to the Bafokeng to 22 per cent of taxable income in the Bafokeng areas west of Johannesburg, from the previous percentage of between 14.9 and 16 per cent. To protect the tribe from any losses or low earnings by Implats, the Barokeng will receive a minimum annual royalty of 1 per cent of the gross selling price of the metals mined from their land. They will also receive a one-off grant of 1m shares in implats, now worth about R100m (\$16.6m), and be entitled to nominate a member of the board. The affected areas are in South Africa's North West Province, implats' share price yesterday fell R1.30, or 1 per cent, to R96.90. Victor Mallet, Johannesburg

CABLE TELEVISION

UPC raises share price range

United Pan-Europe Communications, Europe's biggest private cable television operator, yesterday raised the price range for shares in its initial public offering because of "substantial levels of interest" from investors, UPC, based in the Netherlands, raised the price range to €27-€29 a share, from €24-€27 previously. The move lifts the value of the IPO to a potential €1.16bn (\$1.3bn) for the company's listing on the Amsterdam and Nasdaq stock exchanges. The IPO, being coordinated by Goldman Sachs and Morgan Stanley Dean Witter, is due to close later this week.

Hoechst investors set for surprise gain **Creating Aventis**

Sale of non-core assets in merger with Rhône-Poulenc adds value, writes Uta Hamischfeger

nareholders in Hoechst. Sthe German pharmaceuticals and chemicals company, strongly criticised two months ago over the deal it reached for its planned merger with France's Rhône-Poulenc, may find themselves the ultimate winners.

Because both companies have to sell their remaining non-core activities as a precondition of a full merger Hoechst shareholders will benefit from the fact that those of Hoechst far exceed those of the French com-

Hoechst is now studying now to enable shareholders to partake of the gains from its divestments. "We will have to look for ways to give these values back to our shareholders," Hoechst said. In an interview, Hoechst's chief financial officer Klaus-Jürgen Schmieder said the company would ask its shareholders to approve share buybacks at a meeting оп Мау 4.

As a result, in coming may see special dividend payments and share buybacks, or receive a larger stake in the merged company Aventis than the 50 per cent that had been originally planned.

Executives at Rhône-Poul-

enc insist the 50:50 split is which will be called Aventis

not negotiable. Hoechst's Hoechst and Aventis Rhône-

remaining non-core assets Poulenc after July 1, will

after taxes. Based on Hoechst's market capitalisation of about DM40bn (€20.5bn, \$23.1bn), that adds about 25 per cent to the value of each Hoechst share. Hoechst still owns Cela-

nese and Ticona, which it intends to jointly list some time soon, industrial gases unit Messer Griesheim, chemicals unit Wacker, a 45 per cent stake in speciality chemicals firm Clariant and FIR Vet, which it decided not to merge with Rhone-Poulenc's own animal health joint venture, Merial

Rhône-Poulenc's remaining non-core asset, its 68 per years Hoechst shareholders cent stake in speciality chemicals firm Rhodia, is worth roughly DM2.7bn. Meanwhile, Hoechst's and Rhône-Poulenc's core assets, or life science activities, are valued equally. That means that both

Hoechst and Rhone-Poulenc

two to three years. If need be, the ownership question could then be revised. But if, by the time of the full merger. Hoechst has not distributed to its shareholders the money from its divestments, each company's assets would have to be reassessed, said Mr Schmieder.

in Aventis before merging in

"It doesn't have to necessarily result in a 50-50 ownergor Landau, managing director at Rhone Poulenc and on the supervisory board of Aventis, responded: "The deal is clear - it's a

merger of equals, full-stop." He acknowledged that Hoechst was a bigger company, but said it would have to find ways of returning excess capital to its shareholders. "If their shareholdto give them the value." Hoechst's planned initial

public offering of Celanese

its creative thinking. For the first time in Germany, a company is listing a subsiddistributing immediately the shares of the spun-off company to parent company's

companies such as AT&T, ITT and ICI have spun off subsidiaries in a similar way. In the case of Celanese

receive one Celanese share for every 10 Hoechst shares Until now, German tax law had made the scheme prohibitively expensive, Mr

newly listed company would have to pay tax on its hidden //leading / Framatome Hoechst was lucky. Eighty ers are entitled to more per cent of Celanese's assets value we have to find a way are abroad, "offering us'a Hoechst will be taxed about are worth at least DM10bn each hold a 50 per cent stake and Ticona is an example of DM100m for the deal.

iary with the aim of

ing in the connectors side of In the UK and in the US, the business, which has grown in importance with last year's acquisition of USbased Berg Electronics and could be closer to Alcatel's cables activity. The Berg acquisition has shifted the centre of gravity Hoechst shareholders will

at a company created 40 years ago as Franco-Américaine de Constructions Atomiques to develop French expertise in nuclear reactors, Schmieder said. lifting its workforce by more Under German tax law, a than 40 per cent and making the connector business the

assets in Germany. But employer. Activities have been split into two divisions: window of opportunity", Mr | Framatome claims to be the Schmieder said. In the end, world number two in con-

energy and connectors. Following the takeover, nectors, behind AMP of the

indev sues

dd dispute

Malaysian banks agree M\$65bn merger

By Shella McNuity in Kuala Lumpur

Malaysia's politically connected Commerce Asset-Holding agreed yesterday to buy the government-owned Bank Bumiputra to form the country's second biggest bank, with about M\$65bn (US\$17.1bn) in assets. The purchase had been widely expected following the third rescue attempt of Bank

The creation of Bumiputra

By Alexandra Harney in Tokyo

Yokohama Rubber, Japan's

third largest tyre manufac-

turer, is considering a strate-

gic link with a non-Japanese

company, believed to be Groupe Michelin of France,

after last week's global alli-

ance between Goodyear and

Sumitomo Rubber which cre-

ated the world's largest tyre

Keimei Kiyoura, director

in charge of tyre planning.

tyre industry and Yoko-

hama's disappointing perfor-

and John Griffiths in London

September, to save Bank 1998. Bumiputra through a capital

swinging from net income of M\$196m for the year-earlier. period. Its net non-perform-

mance had forced it to revise

its strategy as a domestic-

Yokohama's after-tax prof-

its fell 50.6 per cent in the

first half of 1998, to Yl.9bn

(\$16.8m). Its annual tyre

sales, at about \$3.6bn, com-

pare with around \$3.9bn for

Mr Kiyoura's comments

come amid speculation on

the future of Japanese tyre-

makers, as the industry

moves towards domination

by three global groups -

Goodyear of the US, Miche-

lin and Bridgestone, Japan's

focused manufacturer.

quacy ratio above the mandated 8 per cent," said Fitch IBCA, the international rat-

taken over by Goodyear,

despite last week's deal

being depicted as a "strate-

gic alliance". Yokohama is

going on for some time.

Mr Kiyoura said that

although Yokohama had not

yet received an official offer,

the company was open to

Commerce Bank comes just M\$4.3hn, or 172 per cent of The bank's capital ade- and the settlement of the of gross domestic product. months after an attempt, in equity, as at end-September quacy ratio stood at 9.7 per estimated difference of The authorities have looked cent after the capital injection, but Fitch said the ment in cash or stock. losses for the six months weakened that ratio to 9.3

per cent at end-September. The new bank is to have a combined capital adequacy at face value. ratio of 10 per cent. The agreement includes the gov-

M\$562m paid to the govern-Danaharta, the govern-

ment's asset-management company, will buy much of Bank Bumiputra's bad loans Bank Bumiputra is one of the bigger victims of the

Malaysia into recession. The banking system went into the regional crisis with

financial crisis that pushed

to it to revive the economy by encouraging financial institutions to lend still fur-

Economists anticipate almost one in three loans will be non-performing by the time the crisis peaks

The merging banks do not expect formal approval until the end of the year and until then will continue with sepa-

Yokahama Rubbe

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later this year.

rationalisation in the local white goods industry with an agreement to buy the appliance division of Southcorp, the wine, packaging and white goods group for about A\$107m (US\$69.8m).

Email also announced a joint venture with Assa Abloy, the Swedish lockmaker, which would combine the companies' Austral-

> the company said. Both after trading closed on the Australian stock market. Abloy would pay about 50 per cent of Email's Australasian businesses and 100 per cent of the US business. Email said. The deal would have a positive impact on

◆The deals represent the Losses at Yokobama Tyre Corporation, its US subsidiary, totalled more than \$9m

Email to acquire Southcorp arm

By Gwen Robinson in Sydney

Email, Australia's largest manufacturer of household appliances, launched further

asian and Asian security products businesses Email would also sell its US-based Emtek business to Assa Abloy's US subsidiary,

earnings per share in the first year.

latest in a restructuring launched last year. Email's negotiations to sell its bathroom products operation will

leave the company with its metals distribution business and white goods operation.

Analysts said Email had a profitable Asian security products business with subsidiaries in Singapore, Thailand, Malaysia and Indonesia, while Assa Abloy had sales operations in Australia, Singapore and Hong Kong. The combined businesses would have a dominant position in the Australasian and south-east Asian markets, with total sales approaching A\$200m. The acquisition of Southcorp's white goods assets would leave Email with nearly twothirds share of Australia's

white goods market. The Southcorp deal suggested it was positioning to compete in offshore markets, analysts said.

Southcorp's main appliance division achieved \$62m in pre-tax profits on sales of A\$1.1bn in the year to June. about one-third from white goods. Overall net profit grew 16 per cent and the group predicted double-digit profit growth for the current year. Graeme Kraehe, Southcorp's managing director. said Southcorp would use the proceeds of the sale to

RENAULT

"A further rise in non-perinjection of M\$1.1bn from forming loans or decline in Khazanah Nasional, the gov- collateral value, not an ernment's investment comunlikely scenario as the recession has yet to run its

Last week, however, Bank full course, will mean that Bumiputra reported net the bank will need further losses of M\$467m for the six capital injections if it is to months to end-September, maintain its capital ade-

ernment sale of its stake in Bank Bumiputra in exchange for what will eventually be a 30 per cent stake in the merged institution

Yokohama Rubber mulls foreign tyre link With Sumitomo essentially such bids. An alliance with a financial base, returning its foreign manufacturer would US operations to profitability be more likely, because there were few synergy gains to be

viewed as a natural target tyre-maker, he added. While a spokesman for the we would consider it ... We secretive French group recognise we must compete would not confirm negotiaon a global scale. But that would mean investing in tions with Yokohama, people close to the industry say South America, the US, posinformal discussions. sibly even Africa. In the end. between the two have been

made with another Japanese

In the short term, Yokohama would seek to improve cost-competitiveness by strengthening the company's lar since last October.

and rebuilding Yokohama as a niche manufacturer. Yokohama, which depends

on the Japanese market for sales, has been battered by falling domestic demand and the appreciation of the yen. Financial performance for the full year is expected to be well below company tarwe would lose to the big gets of Y4bn in after-tax earnings on Y250bn in turnover, largely because of the unexpected surge in the yen's value against the dol-

NEWS DIGEST

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Foster's beats forecasts on strong overseas sales

Surging overseas beer sales helped to propel Foster's, Australia's largest brewer, to second in beer brands in the UK, the group said yesterday as it released half year results. UK sales volumes rose 12.1 per cent, said Foster's Brewing Group, adding its moves to cut costs and restructure operations helped increase net profit by 14 per cent to A\$191.1m (US\$124.7m) in the first half to December. In the US, the group's beer sales rose 12.3 per cent.

The group's interim result exceeded analysts' expectations of about A\$180m and drove its share price up 4 cents to A\$4.99, close to last week's record of A\$5.

Investors welcomed Monday's confirmation by Ted Kunkel. chief executive, that the group was rationalising its loss-making Chinese operations. Mr Kunkel said the sale of the Tianjin and Guangdong breweries would be "tidled up" by June 30 and its China business would focus on the Shanghai brewery, which had cut losses sharply and was expected to reach a "cash-flow break-even" position by

Mr Kunkel said Foster's overall concern was on driving second half and the group would concentrate on integrating and developing the businesses it recently bought for about A\$500m - the Austotel pub group, a German wine club and Maglieri Wines. Gwen Robinson, Sydney

POWER

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Chinese company delays float

Shandong international Power Development postponed its listing on the Hong Kong stock exchange, citing "volatile" market conditions*.

SIPD said that speculation that the company was considering lowering the indicative issue price range was unfounded. The issue price range valued the company at a premium to other Chinese power companies listed locally. Rahul Jacob, Hong Kong

Daiwa Bank in double link

Daiwa Bank, one of Japan's largest banks, yesterday announced plans for an alliance with the Bank of Osaka and Bank of Kinki, two other regional banks in the Osaka area, it could lead to the three banks creating a joint holding company and possibly merging, company officials said. Analysts said this was likely to lead to broader consolidation of the banking sector in Osaka.

However, the three banks yesterday admitted that the initial stages of the alliance would probably be limited to specific, product-based, areas of co-operation, such as shared cash dispensers.

The alliance appeared to have been triggered by Dalwa's need to stave off government pressure to reform by the end of the 1998 fiscal year. The Japanese banks are facing growing demands to demonstrate signs of restructuring as the "price" for a planned injection of up to Y25,000bn (\$221bn) of public funds into the banks' before the end of March.

Daiwa's shares yesterday closed down Y3 at Y183, while Bank of Kinki and Bank of Osaka closed unchanged at Y284 and Y200 respectively. Gillian Tett, Tokyo

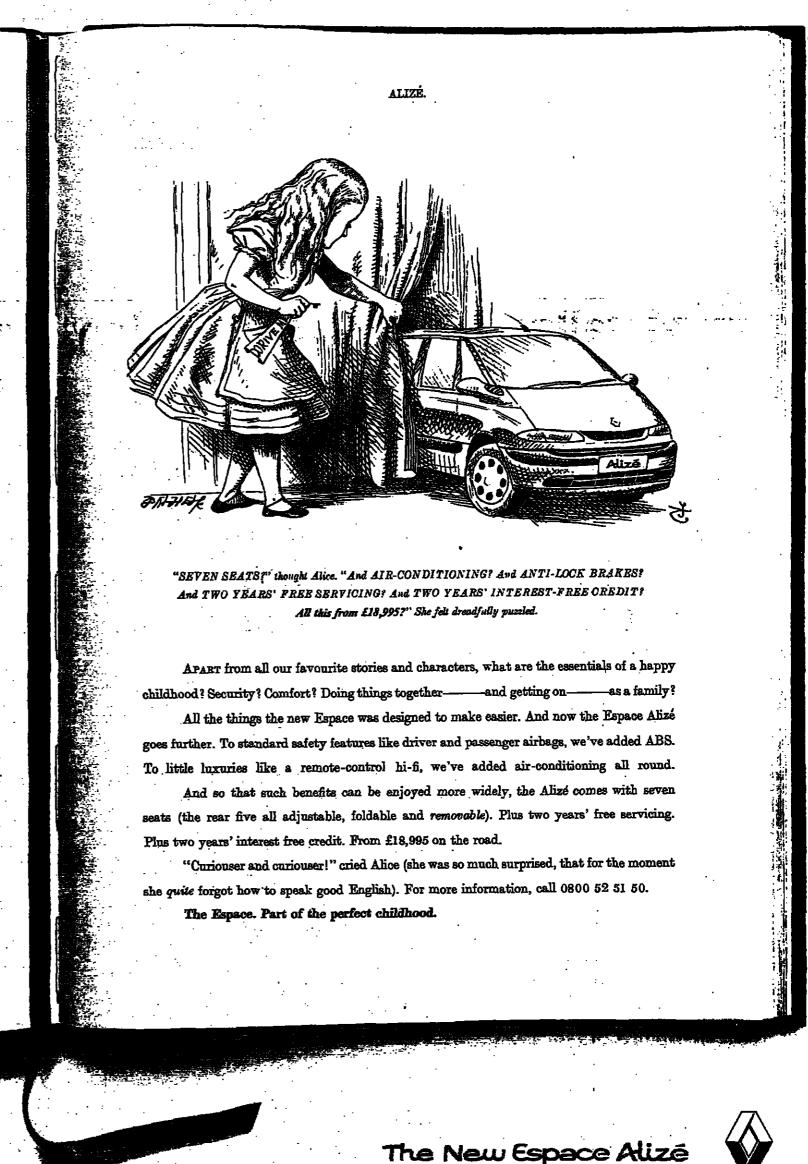
CHEMICALS

Mitsubishi to close plant

Mitsubishi Chemical, Japan's largest comprehensive chemical company, plans to close its ethylene plant in Yokkaichi by the end of next year, the company announced yesterday. It will be the first time that a Japanese petrochemical company has shut down an ethylene facility. The closure comes amid signs that Japan's petrochemical industry is suffering from severe over-capacity and high production costs.

The capacity reduction achieved by shutting down Mitsubishi Chemical's third largest ethylene plant will amount to only 3.3 per cent of average total capacity. The shares rose 3.2 per cent to Y258.

Philip Hall, analyst at Schroders, said: "The closure of the factory will only take place in one and a half years and the reduction in capacity is small with 270,000 tons. Until now, Mitsubishi Chemical's restructuring measures have not translated into higher profits." Julie Hess, Tokyo



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The postponement for a deal that was to be priced on

Monday is another setback to plans by Chinese companies to list on the Hong Kong market this year, coming a couple of weeks after another international issue by a Chinese agricultural firm was postponed. Analysts said the SIPD deal was over-priced and poorly timed, given the concern about the mainland economy that has weighed heavily on the Hong Kong market. "If you don't get a good wind behind you in Hong Kong, these deals don't get done." said one market participant.

Japan

Ladbroke makes £1.46bn bid for Stakis

By Elizabeth Robinson

Ladbroke, the hotels and gaming group, has offered to broke to head its Hilton buy Stakis in a cash and International hotels division. share deal that values the He replaces David Jarvis hotels and casino company at £1.46bn (\$2.39bn), including £215m debt

The combined group would be the UK's second and the largest health club

Scotland-based company from near bankruptcy, will rejoin his old employer Ladwho is leaving the company.

Peter George, Ladbroke chief executive, said: "This fits like a glove. I never thought we would get into largest hotelier after Gran- the provincial casino marada, the second largest ket." He said he would use casino operator after Rank the absorption of Stakis's 22 regional casinos as an opportunity to restructure Lad-David Michels, Stakis chief broke's own gaming

heads that division, has been cash, Stakis shareholders its from hotels. appointed chief executive of Rank, the leisure company. lan Payne, who manages Stakis's casino division, may be appointed to head the combined gaming unit.

Ladbroke is offering Stakls shareholders 57.7p of cash plus 0.382355 new Ladbroke shares for every Stakis share held, as well as the Stakis final dividend of 1.75p a

Although Ladbroke profixed combination of 60 per group expects to derive properties.

can "mix and match", electing to take any combination of cash and shares.

If the deal is successful, Ladbroke will rebrand Stakis' 54 hotels as Hilton, doubling the number of Hilton rooms in the UK to

Ladbroke's five London evenly balanced between hotels and gaming in terms poses to pay for the deal in a of profits. After the deal, the

Ladbroke's wider spread

Mike Smith, who currently cent equity and 40 per cent around two-thirds of its prof-

Ladbroke yesterday issued unaudited estimated results for 1998. Profits before tax and exceptional items rose 22 per cent to £276.9m with earnings per share rising 21 per cent to 17.90. Analysts praised the deal

as offering a good fit. The companies complement each casinos and 1,900 betting other geographically with no shops currently make it overlap; they both offer fourstar hotels, and Stakis's Living Well health clubs already operate in 22 Hilton

Well clubs as a way to expand Hilton International overseas. This gives us an extra dimension in terms of competition for hotel properties by offering health and

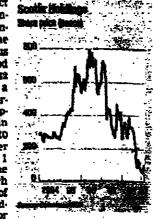
Ladbroke approached Stakis in November after a strategic review in the summer of its botel busine George also said that talks last year on links with Hil-ton Hotels Corporation, the company that controls the Hilton name in the US, had

Leisure and Hotels sector

COMMENT

Scotia Holdings

It is a measure of the neglect afflicting blotechnology companies that, yesterday morning. Scotia's market value was similar to its 250m-plus cash pile. One piece of good news and its shares jump 42 per cent. As usual, there is a strong element of jam tomorrow. Olibra, the appetite suppressant, could end up in foods in markets worth up to \$75bn. Scotia will get 2-3 per cent in royalties on, say, 1 per cent of that market, the annual return will match Scotia's investment to date of less than £15m. But the products do not start to roll for



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two years. Foscan, used in laser treatment tumours, may be on the market sooner.

Scotia lost its partner for this drug last November, completing a rout of its shares. They are still only a quarter of last year's high: investors should lay off the appents sup-

Internet access

Free internet access is like a free lunch. It does not exist But cheap internet access does. Its most successful UK providers, such as Dixons, have ditched the US model of subscription charges, instead, they make money by receiving a slice of the local phone charges levied when customers dial into the internet. This would not be possible in the US where local calls are generally free.

The snag is that this practice, not just by Dixons but also Tesco and now Arsenal football club, has got up the noses of local telecommunications operators. They think the sites of the pie they receive - which is determined by the beloo regulator and supposed to cover their costs - is too small Unless they can show they are receiving less than that costs, the regulator should give this argument short shrift. After all, there is nothing to stop these same operators starting to emulate Dixons, as British Telecommunications eems belatedly to have realised.

Another gripe also looks dubious: that Dixons' business model is unsustainable. Not only is it far from obvious that the revenue from phone calls will be insufficient to cover the additional costs but Dixons expects in time to der new revenue stream from advertising.

But even if the business model does not stack up. to Dixons will just have to cut its losses. There is no need to the regulator to act as nanny.

NEWS DIGEST

ENGINEERING

Marine and turbine side gives lift to Vickers

Vickers, the UK engineering group in the throes of restructuring, yesterday said that trading profits last year dioped slightly after a decline at its defence systems division. But it added that a continuing improvement in results from marine and turbine components had helped it.

achieve a good second-half performance overall.

Vickers revealed the figures in a document dealing with its recommended cash offer for Ulstein Holding, the Norwegian maritime equipment company. The UK company will pay £304m (\$499m) and take on £54,8m of debt for the acquisition, which is seen as an indication that it plans to focus on marine propulsion.

Vickers said it made a profit, before tax and exceptions items, of £55.6m for 1998. Pre-tax profits would be hit by a restructuring charge of £60.6m.

The business being acquired will be called Vickers-UIstein Marine, and will be headed by Baard Milkeisen, Ulstein chief executive.

Michael Peel in London and ValeriaSkōld in Osio 🚎

RETAILERS

Upbeat statement from Safeway

Safeway, the UK's fourth largest supermarket chain which issued a profits warning 12 months ago, yesterday claimed its business "has never been in better shape" as it reported a strong rise in current trading. Colin Smith, chief executive, said sales excluding new space and petrol rose 3 per cent for the first 17 weeks of the second half. Over the Christmas period, the six weeks to January 2, Saleway turned in a like-for-like rise of 2.9 per cent.

The increase stands in sharp contrast to the current. trading statement on Friday from larger rival, J Sainsbury which showed underlying sales growth of 1.2 per cent, or an actual decline excluding inflation. However, its shares fell 2p to 276/2p, as analysts trimmed annual profit forecasts by about £5m to £345m. Peggy Hollinger

INSURANCE

Ace backs nuclear pool

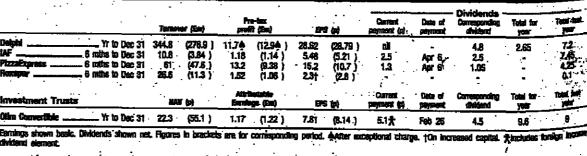
Ace Global Markets, the UK subsidiary of the Bermudabased insurance and reinsurance group, is to support the British Nuclear Pool, which provides about a quarter of worldwide insurance capacity for the nuclear industry. The British pool was established by insurers in 1956 at the prompting of the UK government to make the nuclear industry a more attractive insurance option. The high-severity, low-frequency nature of the risk had resulted in a shortage of capacity in the early years of the industry.

There are now 20 nuclear pools in the world, Known formally as the British Insurance (Atomic Energy) Committee, the British pool is the largest outside the US, with the ability to cover liabilities of £500m. Andrew Bolger

DISTRIBUTORS

Inchcape shipping side sold

inchcape yesterday moved a step closer to its goal of focusing on international motor distribution with the £47.5m sale of its shipping services division. The group, which last March announced its plan to transform itself from a diversified trading company, has now sold four businesses. Inchcape Shipping Services has been bought by Electra Fleming, the venture capital group.



There is even less room at the inn for small operators

Consolidation could be on the menu this year as leading groups seek to promote their brands, writes Elizabeth Robinson

stroke by buying Stakis's 54 hotels. It has doubled the Hilton brand to 16,000 business. If other options and should save £16m (\$26m) in costs by combining its look at them. administration and marketing arms with those of yield big savings. Bigger

But according to some observers, the £1.16bn takeover - plus the assumption of £215m debt - may be the forerunner of even bigger

"Consolidation has been expected in the industry for some time," said Ian Burke, chief executive of Thistle Hotels - until yesterday the UK's second largest hotels group. "We will see more of it in 1999."

Driving the consolidation is the fact that in an industry with a total of 550,000 rooms, no brand - at least until yesterday's deal - had more than 12,000 rooms. Although Granada is the UK's biggest hotelier with some 18,000 rooms, they are spread across several brands and price scales, from the budget Travelodges to the upmarket Le Méridien busi-

By any standards this is a 16,000 rooms for Hilton is the

RIVATE CLIENT WELCOME

end of the story." As for Thistle's own ambi-

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adbroke has beefed up tions - the company has growth of 8 per cent. its Hilton brand at a 10,700 four-star rooms - Mr Burke would only say: "At the moment we are focused the number of rooms under on improving our existing come along, we'll have to

A consolidation would

There is still a desire for

Hilton and Hifton Hotels

Corporation to hook up again'

hotel groups would also enjoy the benefits of larger reservations systems, loyalty programmes and wider brand recognition.

Ladbroke yesterday said that the deal had given it a combined database of 3m members of loyalty pro-

UK hotels are still enjoy-

ing growth, albeit slower, in both occupancy and rates. A survey of provincial UK hotels by BDO Hospitality. the hotel consulting group, fragmented business. Mr found that in the 11 months Burke said: "I don't think to November 1998 occupancy rose 0.7 per cent, with average room rates increas-

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ate director, said: "We noticed a slowdown in yield growth, particularly in London hotels, but the general market is still doing

Hoteliers expect this growth to continue. A recent BDO confidence survey found that 80 per cent expect to maintain or improve their business this year. "They're not as confident as last January, but these figures do not reflect a group of people who expect a nosedive." said Mr Bailey. For Ladbroke the key to

yesterday's deal is room rates. Occupancy at Stakis in particular is already high about 78 per cent - so growth will come from increases in room rates. "This isn't just slotting two hotel groups together," said David Michels, the Stakis chief executive who will now head Ladbroke's hotel operations. "This is about room rates. What is more important than growth in occupancy is growth in room rate. We believe people will

the best recognised in the nationally." world, and Ladbroke operates it outside the US. The expansion of the brand sideways glance at Hilton within the UK through the Hotels Corporation, the Caliing 7 per cent, giving yield purchase of Stakis is just fornian group that controls

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one sign of Ladbroke's ambi- the brand in the US. The two tions. Peter George, Lad- groups have been in a long broke chief executive, yesterday said: "We will continue The Hilton name is one of to build our business inter-

However, the company

on-and-off courtship. Yesterday Mr George said: "There is still a desire for Hilton and HHC to get hooked together again. We both

cannot do this without a have that end objective." Yesterday's deal, Mr George admits, was in part prompted by a breakdown in offing.

and Ladbroke. The two groups already enjoy joint marketing but clearly Mr George is seeking something bigger. The Stakis deal, he said, now makes the US alliance more solid. Observers speculate that a far closer relationship could be in the

Scotia deal with **General Mills**

General Mills, the US food group, yesterday became the latest company to attempt to lure health-conscious consumers with "functional foods" when it signed an agreement to license an appetite suppressant from Scotia Holdings, a UK biotechnology company.

Olibra, a natural product that Scotia claims fools the gut into believing it is full, is part of a new wave of nutraceuticals - premium-priced food said to contain medicinal or other beneficial properties. Olibra will join spreads made by Johnson & Johnson and Unilever that help to reduce cholesterol.

Scotia shares, which rose sharply last week, rose a fur-, ther 29p yesterday, closing at 98%p. General Mills, with brands including Betty Crocker des-

serts and dinner mixes, Yoplait yoghurt, and Big G and Mexico. The company, which has annual sales of \$6bn, is believed to be investigating the possibility of including Olibra in seven categories of food, including soups, salad creams, cereals, desserts and yoghurts. The terms of the deal were not disclosed but General Mills will provide develop-

to use Olibra in all food and

beverages in the US, Canada

ment, manufacturing and marketing costs, as well as making milestone payments and royalties. Olibra is sold in yoghurts in the UK, Sweden, Denmark and Finland under the brand name Maval Produced by Skanemeierier A Swedish dairy company, the yoghurt has gained about a 2 per market cent Robert Dow, chief execu-

tive of Scotia, said: "General Mills has signed up; that's a validation of the technology." He admitted there had been scepticism about

cereals, has exclusive rights whether Olibra worked. Rebus succumbs to US takeover

Disenchantment with the

a 32 per cent premium to Rebus's share price last Thursday, the day before news of the negotiations It represents a multiple of

and about 25 times prospec-

April 16 1996. They rose 18p

The 182p a share offer is at a public company again.

By Christopher Price

UK stock market has led Rebus, the information tech-Warburg Pincus and General

the insurance group, in 1996, has long complained about the low rating put on its shares by investors in the otherwise buoyant market

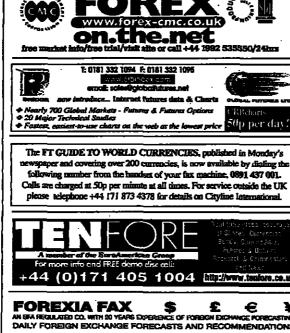
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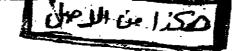


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Rebus shares opened at 88p when trading began on to 177%p yesterday.
Ed McKinley, managing

director of Warburg Pincus's European operations, said it would probably be "several years" before Rebus became



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Greens gun for finance

Environmentalists have become increasingly aware of the pivotal role of financiers in the world economy, writes Vanessa Houlder

fact of life for many companies. Industries such as road building, mining, oil and chemi-. cals are painfully aware of the risks of being singled out by envi-

which are judged to have taken insufficient account of environmental issues in their lending

The National Wildlife Federation, the US conservation group, has recently extended its longrunning campaign to improve the environmental awareness of government-backed development banks to the private sector. "We feel banks have a critical role to play," says Julie Tanner, senior financial analyst at National Wildlife Federation.

NWF has been one of more than 40 environmental and human rights groups protesting against the massive Three Gorges Dam project in China. which has been attacked for displacing more than 1m people and causing immense ecological dam-

When two years ago, a handful of banks - Lehman Brothers. Morgan Stanley, J.P. Morgan, BankAmerica, Smith Barney and Credit Suisse First Boston sponsored bonds for the State Development Bank of China, the project's backer, they found tal products and services, while themselves at the centre of a storm of protest.

The environmental groups risk and corporate credit. wrote letters of protest and lobb-

The threat of "green" ied shareholders against investactivism has become a ing in the banks that helped to Friends of the Earth is gathering finance the project. Financiers became cautious about risking their reputation, raising the possibility that the project would be left with a bole in its funding.

turning to new targets. In particular, they are squaring up to banks and financial institutions. target financial institutions. instead of governments and prominent public corporations, according to a report on financial institutions and sustainable development for the European Commission by Delphi, a consul-

> In part, that is because financial institutions may present a more visible target than the company involved. It also reflects a growing awareness on the part of environmentalists of the pivotal role of finance in the world's economy. Government involvement in controversial projects has tended to fall, leaving a gap for increased private investment.

Banks, particularly European, are responding. In 1992 the United Nations Environment Programme brokered a statement by banks on the environment and sustainable development in which 115 banks made a commitment to incorporate the environment in all aspects of business.

A recent survey found that 60 per cent of these institutions had introduced specific environmen-75 per cent of them had introduced a policy on environmental

But even the pioneers admit a

lot of work remains. In the UK, material for a campaign directed at the City of London. "The plan is to try to have more of an influ-

ence on the financial sector generally," says Tony Juniper, of Friends of the Earth." "We have a long way to go before the environment is integrated into our day-to-day processes," says Linda Descano, vice-president, environmental affairs Salomon Smith Barney. She acknowledges that US

banks have been slow to sign up to the UN statement. "We have a problem getting US financial institutions to endorse the principle." In a litigious environment, banks are reluctant to endorse goals that they have not yet ful-

'Recycling is nice but stringent guidelines are what really makes the difference'

Another concern voiced by Ms Tanner is that the banks are not disclosing their environmental guidelines to the public. As a result it is hard to judge their effectiveness. She also thinks banks have tended to emphasise internal issues concerning their environmental performance. rather than scrutinise their lending policies. "Recycling and energy management are nice but

stringent guidelines are what really makes the difference." she

But what can banks' guidelines be expected to achieve? The most obvious point is that they should aim to protect the bank against litigation. The credit assessment process should monitor whether the company to which money is being lent operates in a high-risk sector or owns contaminated

The risk of being held responsible for site clean-up costs if it forecloses on a defaulting company has preoccupied many banks. A landmark case in 1990 held that a US bank was liable for the site clean-up costs on the grounds it had the ability and opportunity to influence its client, a paint company, in its environmental practices.

But bankers are reluctant to go further than is absolutely necessary in monitoring the companies they lend to. "There is a widely held, but wholly inappropriate, view that the role of financial institutions should be [that of] environment policemen," says Derek Wanless, group chief executive of the NatWest Group. Trained and expert regulators have a difficult enough task."

Nonetheless, he says, there are several areas in which the environment affects banks: as investors, as designers of financial products, in pricing risk, in estimating returns, as polluters, as victims (in that climate change alters the nature of risk) and as stakeholders capable of exerting influence. "I do believe that we can and do have influence and attempt to exercise it." he says.

This is not an easy task. In a discount on the loan. As a result, progress in creat-ing environmental products has highly competitive corporate market, banks shy away from

attempting to influence the poli-been slow. That has proved a cies of large companies. But with source of frustration for many smaller companies, many banks environmentalists, who are attempt to provide environmen- aware the banks will only use lar relevance for the banking sectal information and products. their influence for the benefit of tor. Banks are in the risk busi-The snag is that many environ- the environment if they consider ness: ultimately, ignoring mental financial products require it to be in their broad interest. an environmental audit, the costs

of which can easily exceed the that banks are increasingly prepared to voice their commitment to the environment. Sustainable

ral and man-made capital for future generations - has particuenvironmental issues may pose But whatever the practical additional risks to their investadvances, there is little doubt ments. In the view of Mr Wanless: "Financial growth and a healthy environment will go

MANAGEMENT RECRUITMENT

Trading in virtual reality

Richard Donkin looks at a computer system that enables a bank to monitor how aspiring traders react to real-life pressures

The job applicant was every investment bank's nightmare personified another Nick Leeson in the making. Hiding losses seemed to come naturally to the graduate einsbank, the German mortgage lender. By lunchtime his position was looking hopeless so he hung back at his screen carefully obliterating every disastrous deal he

Yet up to that point in the selection process he had seemed excellent, his academic background and interview faultless. The hank had marked him down for a firm offer.

Not until he was at a screen making deals in a full-blooded trading simulation, did his potential for deception emerge. No one was going to be criticised for making losses, but hiding them

"He didn't realise the data is retained and the position came back on the screen after lunch. We would never have known that he was capable of such behaviour without seeing it for ourselves.' says Susanne Ruoff, the bank's head of recruiting and develop-

The "rogue trader" incident: was recalled when the bank repeated the exercise for 59 MBA and PhD graduates flown to Boston this month from Europe and other parts of the US. HypoVereinsbank claims its trading and sales simulation for recruitment is leading the way.

. The graduates were chasing some 30 vacancies. Starters with MBAs can expect to earn

headquarters.

A big advantage of simulation, says Ms Ruoff, is that it enables the bank to observe candidates' seeking a trading job at HypoVer- : behaviour under pressure. The experience of a rogue trader bringing down a bank has focused attention on the ability of candidates to understand the principles of managing risk and balancing their position.

"It's not a question of where their profit and loss is at the end in achieving it," says Andrew Chisholm, the training consultant supervising the event at the Marriott Hotel

Mr Chisholm and an associate Paul Roth, a software specialist, embled about 100 screens in the hotel's largest conference room. They built the exercise around Mr Roth's Risk Manager trading simulation software, normally marketed for dealer training among investment banks.

An important ingredient is the use of the bank's clients, many of whom have trading backgrounds, to place orders by telephone. The simulation is based on an actual day in the markets. In this case, April 3 1998 - the day on which the bank had launched an initial public offering of shares in Tran-

stec, one of its clients. The designers had included a basket of equities, government bonds. US Treasury bonds, international bonds and about six currencies including some, like Polish zlotys, that reflected the bank's interest in the emerging markets of central Europe. Finan-

cial engineering candidates seek-

DM120,000 (€61,000) (\$69,000) in ing the so-called "rocket scientheir first year at the Munich tist" jobs would be asked to work out various derivatives.

"These are smart people," says Mr Chisholm, "but we want to test them in the actual conditions they would experience in the job. We don't want MBAs simply to act as order takers. They should be having conversations with their clients just as they would in reality. This job has a lot to do with attitude. All the candidates believe this is what they want to do but when it comes down to it

His position was looking hopeless so he obliterated every disastrous deal he had made

they are dealing with certain fundamentals. In the real world they are solving problems for their clients. The professionals have to

Each of the candidates had undergone a day of training before being exposed to the reality of the dealing room.

The brief to the bank's clients was to be tough but fair while candidates were advised to engage their clients, keep focused and talk sense. "The clients you will deal with in this business have no time for conversation that's not related to their specific circumstances. If you let it stray you will hear the phone go dead,"

The candidate teams made a jerky start in their first half-hour of adrenalin-fuelled trading, often forgetting to call clients or book trades. Sales people muddled their dealings with traders as clients slammed down their phones or berated them for offering unre-

alistic prices. Dieter Musielak, head of risk management, treasury, in the corporate finance division of Siemens, was playing the role of an aggressive hedge fund manager.

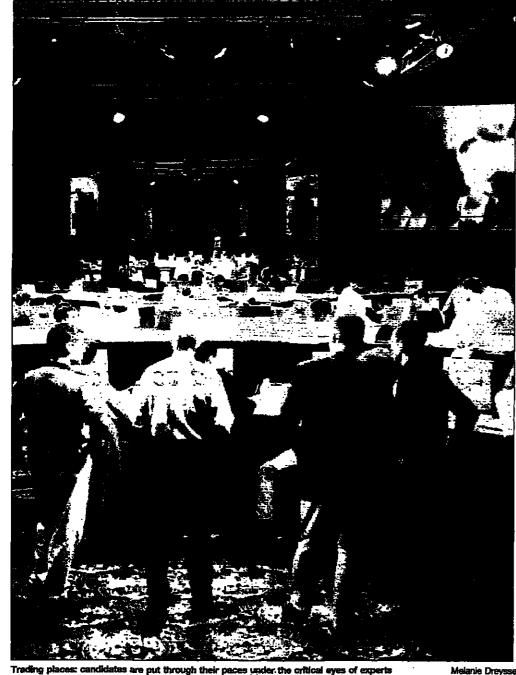
His briefing notes said: "Likes size - in the best times the fund may turn around close to its entire position within a day. make a \$1bn trade minutes before the market closed. "I'm having so much fun," he says.

Not all the candidates shared his enthusiasm. Jeffrey Sink, studying for a maths PhD at Michigan University, decided the job was not for him: "I don't want to spend all of my life with someone yelling at me.'

Anna Magdalena Haslinger, on the other hand, a candidate working in foreign exchange sales. says: "I thought it was tremendous. I could do this every day. It's not an easy job but you don't get bored.'

At the end of the session traders and clients alike had made profits. "As the day wore on, the candidates began to get the hang of it," says Mr Chisholm. So did the professionals.

Chris Childs, a fund manag at Foreign & Colonial Manage ment, says: "I took the opportu nity to do an options trade which I'd never done before and I couldn't resist making a \$1bn trade. It made my day. I've never traded \$1bn and I expect I never



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Euro-phoria fades fast as US speeds off

EUROPEAN OVERVIEW

European stock markets fell

back yesterday as earnings decline of the euro against the US dollar dominated

Most sectors ended about a half-percentage point lower, reflecting what analysts said and the continued buoyancy was the fairly broad-based

1.500

Concern that European considerations.

The contrast between a sluggish euro-zone economy ally gloomy wider market.

nature of the European aco-nomic slowdown. buyers out of euro-denomi- jumped €57.50 to €726.49 nated assets. after an upgrading by Goldnated assets.

The FTSE Eurotop 300 corporate earnings are in for index of leading European to Friday's boardroom blooda rough ride have been evi- shares fell 7.22 to 1,197.21, bath that saw a new chief dent for weeks and now that while the FTSE Eurotop 100 worries and the continued post-euro enthusiasm has index fell 16.09 to 2,741.35. waned, investors are looking The FTSE Ebloc 100 index of among indu closely at core investment shares in euro-zone markets ended 7.78 lower at 1,005.49. takeover tax

Going against the generhowever, a couple of sharp

FTSE Actuaries Share Indices

after an upgrading by Gold- rest of the auto sector was potential partner for its domestic rival, fell 80 cents to €66.25 and DaimlerChrysexecutive appointed.

ler was €1.80 lower at €86.26.

ngany is now a reget given the of transatlantic on in the car	stronger; Renault gained £1.40 to £44.50. Leisure stocks were a particular focus. Ladbroke, which gained 60 cents to £3.91, gave the hotel sector a
European series of Adustive	boost. Its bid for Stakis pul- led other stocks higher. Accor.rose €15.90 to €205. Luxury goods makers also
xaled∦ Total reta: i ytzi (Suro) €	made good gains, with LVMH rising 65.10 to 6220 and Christian Dior up 63 at
0.55 1233,32 1,81 963,31 0.39 1021,03 1,22 1237,78	€116.50. Financials, industrials and engineers were among the

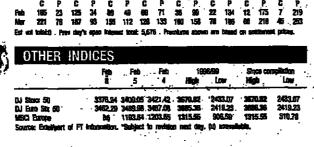
weakest sectors. French bank CCF fell €4.20 to €80.65 recent gains. But Thyssen was a notable outperformer

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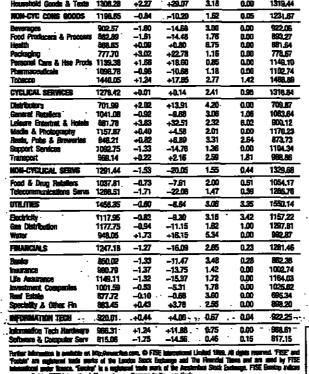
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Exchanges to offer 24-hour global trading

By Samer Iskandar in Paris and Nikki Tait in Chicago

Three leading derivatives exchanges yesterday announced a global alliance spanning three time zones and offering round-the-clock trading in some of the most actively traded financial products on a single electronic platform.

Matif, the derivatives arm of the SBF-Paris Bourse, the Mercaptile Chicago Exchange, the second largest US derivatives market, and the Singapore International Monetary Exchange, said they would start listing their most popular products on a common computer network

The so-called Globex Alliance, based on the NSC front-end trading technology developed by the SBF, will be the only system listing short-term interest rate derivatives on the world's three leading currencies the dollar, the euro and the yen - almost 24 hours a day.

By including existing alliances between Matif and its Spanish and Italian counterparts, the Globex Alliance will link some 2,000 trading screens in Europe, the US and Asia.

The link comes just weeks after the launch of the euro, which has intensified competition among Europe's deriv-

Matif is fighting for market share in euro-denominated bonds and interest rate derivatives against the London International Financial Futures and Options Exchange and Eurex, the

lows a recent souring of the relationship between Matif and Eurex, with which it has a looser co-operation agreement. By offering direct access to traders based in Asia and the US, Matif is hoping to draw business away from Liffe in Euribor futures, the benchmark product for interest rates in

the 11-country euro-zone. The alliance, which will require Simex to adopt the French trading system, will seal several long-standing relationships between the three exchanges.

In 1997 they also agreed to exchange technologies, with the French cash and derivatives markets adopting the CME's clearing system and the CME implementing NSC trading technology.
The CME and Simex have

arrangement since 1984, allowing each other's members to close on each exchange a trading position opened on the other. "This alliance was a natural and important next step for us," said Scott Gordon, CME

Mr Gordon stressed that the Globex arrangements would not prevent the CME from striking other alliances - something it has been seeking as part of a strategic plan - and said the exchange was "still in discussions with numerous

counterparties". He also revealed that talks were planned with David Brennan, the new chairman of the rival Chicago Board of Trade, "to analyse any num- pose vehicle, and could raise

BoJ pressed to buy JGBs

By Arkady Ostrovky and Florian Gimbel in London and John

Confusion over the Japanese borrowing strategy caused turmoil in the Japanese bond market yesterday.

Japanese government bonds rallied in late trading in Tokyo after Hiromu Nonaka, the government spokesman, stepped up the pressure on the Bank of Japan to buy JGBs to restrain rising bond yields and flatten the yield curve.

"Responsibility for breaking out of the present severe situation rests with the Bank of Japan as the central bank, through crafting such tral bank to do something measures as buying JGBs in about the rise in long yields

issued exchangeable bonds

in order to raise cash and

reduce its stakes in compa-

mies in which the state is a

shareholder. Last March it

raised about \$1.15bn in a

comments brought the 10- ahead of the meeting," said year bond yields down to lan Douglas at Warburg Dil-2.160 per cent after Friday's lon Read. close of 2.365 per cent. The benchmark 10-year JGB 203

Friday's close of 126.70 in

But James Mitchell at Nomura said the rally was preceded by a sell-off in the JGBs triggered by the comments from Yutaka Yamaguchi, the deputy governor of the Bank of Japan, who ruled out any support for the bond market from the independent central bank. The Bank of Japan will

"The pressure on the cen-

meet on Friday to discuss its

the market," he said. His has been rising steadily

But he argued that even if the Bank of Japan were to future jumped to 128.45 from sell short-term securities in order to buy JGBs with longer maturity - as suggested by the Japanese finance minister - the move would have limited impact on the real

> The fall in Japanese bond yields supported US Treasuries by reducing the chances of Japanese funds being repairiated from the US. Treasuries moved higher yesterday ahead of today's \$15bn auction of five-year paper, which analysts say will test the demand for Treasuries.

By early afternoon the 30-

economic data to be released today was likely to show an unexpected drop in unemployment in January.

NEWS DIGEST

SAN FRANCISCO

Pacific Exchange chief quits after merger fails

Woes &

Warren Langley is resigning from his post as president and chief operating officer of the San Francisco-based Pacific Exchange, which saw plans for a merger with the Chicago Board Options Exchange collapse earlier this year. Exchange officials said Mr Langley's departure was only "indirectly" related to the collapse of the merger plan,

which would have united the largest options exchange with the third biggest player in the US. The Chicago exchange unliaterally called off the merger last month, attributing its decision to Justice Department queries over possible competition issues. It also cited potential delays, although Pacific Exchange said it believed the transaction could have been completed close to schedule.

Mr Langley, 56, who joined the Pecific Exchange staff in 1996, had stayed on in anticipation of the merger and had been integrally involved in the negotiations, the exchange said. In the wake of the deal's collapse, he had decided to step down for personal reasons. "It's time for me to pur-sue other projects and interests," Mr Langley said in a statement. Exchange officials said his resignation did not reflect any dispute over the exchange's future strategy. His replacement has not been named.

Many observers believe the colleges of the CBOE deal has left the Pacific Exchange - a medium-size player trading around 2,700 stocks and bonds, and options on about 800 stocks including Microsoft – in a difficult position, as computer-based technology "globalises" trading and new competitors emerge. Nikki Tait, Chicago

CREDIT RATING

Moody's warning on France

France's rigid labour market and an increasingly onerous social security burden threaten to undermine its Asa credit rating. Moody's Investors Service, the rating agency, warned yesterday in its annual report on the country.

France has one of the highest levels of unemployment in the eurozone - 11.8 per cent last year and forecast to fall to 11.6 per cent this year - which Moody's says are due to labour market anomalies which, if unaddressed, could impair competitiveness. Moody's identifies generous mini-mum wages and the high cost of firing workers.

The agency points to particular weaknesses arising from the welfare burden, and urges reform of taxation, pensions and healthcare to avoid severe long-term fiscal and budgetary pressures. France has one of the highest healthcare/pension spending ratios relative to gross domestic product among industrialised countries.

Moody's says with public spending totalling 54 per cent of GDP, further cuts in the tax burden will need to be accompanied by more fundamental moves to curtail expenditure. Real growth this year is forecast to weaken to 2.5 per cent while government deficit will ease to 2.3 per cent of GDP. Khozem Merchant

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INTERNATIONAL BONDS

Singapore in exchangeable issue

<i>O</i> 1					<u> </u>			
NEW ISSUES	New internation	nal b	ond	issue	s			
By Vincent Boland and Edward Luce	Borrower	Amount .m.	Coupon %	Price	Maturity	Fees	Spread bp	Book-namer
Singapore yesterday issued a \$1.3bn bond which can be exchanged after five years	III US DOLLARS Rabobank Nederland Bangko Sentral ng Philippinas Republic of Philippinas(s) HFC Bankt III EUROS	250 250 200 50	5.25(s) 7.754(i) 9.8758 (b)	99.89R 99.816 100.75R 100.00	Dec 2002 Feb 2001 Jan 2019 Aug 2000	0.20R 0.625 1.00R 0.073	+305(Jac(01)	Tokyo-Misubishi Inti Chase Manhettan Inti JPM/MSOM/Warburg DF WestLB
for shares of Development Bank of Singapore in one of the largest transactions of its type from an Asian borrower.	Bilbao Vizzerya Intitici) Raliye SA(e) BCP Finance Bankt; Sverski Handelsbankent; UBS, Jersey Branchig) M. YEM	500 300 300 250 75	5.76(c) 4.625(t) (c) (f) 14.00	100.00 99.78R 99.827R 99.99 100.00	undated Feb 2006 Feb 2002 Aug 2000 Aug 2000	2.00 0.45R 0.125R 0.05	+1056-CAT)	Bilbeo Vizceya/Salomon Merall Lynch Warburg Dillon Read Deutsche Bank Warburg Dillon Read
It is the second time in less than a year that the Singaporean government has	LB Baden-Wuertternbergft)* JB GREEK DRACHMA Bank Austria	11bn 10bn	4.50#(I) 6.25	99.96 99.78A	Mar 2000 Feb 2002	1.60 0.1875R		Nomura International WestLB

8500m. Plus 31 days accrued. b) 3-mth Libor +7bp. c) 6500m kiunched on i of 650. Cellable from Mar 04 st 650. d) 3-mth Euribor +15bp. e) Spread rei

bond issue exchangeable into shares of Singapore ment option is exercised. The bonds were denomi-This latest transaction, nated in euros and US and taking advantage of buoyant Singaporean dollars, and are conditions in the convertible exchangeable into shares and exchangeable bond marrepresenting about 15 per ket, was issued by Finlayson cent of DBS, one of Singapore's main banking groups, at a conversion premium of Global Corp, a special pur-

yesterday took advantage of the more relaxed attitude dated offering.

The bond, which coincided with a \$200m add-on by the

of 650. Cellable from Mar 04 at 650. d) 3-mith Euribor +150p. a) Spread relates to French govt bonds. 1) 3-mith Euribor flat. Short 1st & short last coupons. g) Issuer may redeem at par or 8.2713 Nokia shares per €1,000 bond. h) Redeemed in USS If S/Y falls below reference rate. 1) Over Interpolated yield. () Long 1st coupon. c) Quarterly coupons. s) Short 1st coupon.

The BSP - the central to its 20-year benchmark bank of the Philippines - was priced at 305 basis points over the Treasury benchmark. It tightened by a towards some emerging mar-kets with a \$250m short- pricing. An official at Chase Manhattan, sole lead, said the proceeds were used as an indirect way of re-financing

for long-term interest rates.

was up 5 to 981, sending

the yield down to 5.329. A

morning selloff in the equity

market had helped to boost

to 98H, yielding 4.920 per

cent, and the two-year note

gained & to 99R, yielding

European bond markets closed lower after investors

concluded that the euro-zone

economies may be stronger

The March German bund

future dropped 0.6 to

Observers said Germany's

The 10-year note gained &

bonds by midday.

4.785 per cent.

115.69.

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CURRENCIES & MONEY Euro woes continue against the dollar

MARKETS REPORT By Christopher Adams and Richard Adams

against the dollar yesterday as currency markets backed the strength of the US economy. Output in the euro- rary technical changes, new spurt is for real," says Stepgish by contrast.

\$1.125 versus the dollar in reconsider their expecta- farm payrolls have expanded London trading hours, before recovering later. Fears that combined eco-

nomic growth in the eurozone would fail to keep pace unchanged at 20.889 versus with the robust US economy helped push the fledgling UK manufacturing data. currency lower. At one point, it touched a record low of \$1.122.

Further evidence of weakness in the German economy contributed to the slide. The POUND IN NEW YORK latest data showed terminal industrial output was flat in familiar following a 2.1 1 mm 3 mm per cent fall in the previous

Comments by European the Euro is looking much central bankers did little to less well supported than it dispel the gloom.

The euro sank further said the euro's recent fall tive for the dollar. should not be over-interpreted. "In today's foreign ket surveys leave little doubt exchange markets, tempo- that America's latest growth zone is expected to be slug- information or estimates hen Roach, the investment from one part of the world bank's chief economist. "For

> the German newspaper. The pound ended the euro, held back by poor

view with Welt am Sonntag.

■ Strategists at Morgan Stanley Dean Witter, the investment bank, argue that - Prev. close -1.6380 1.6373 1.6363 1.6377

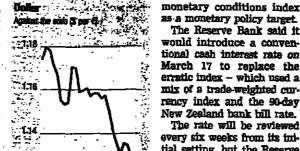
did a year ago. Strong Hans Tietmeyer, president growth in the US and its of Germany's Bundesbank, high interest rates are posi-

"The January labour mar-The euro fell from \$1.129 to can prompt investors to a third month in a row, nontions," he said in an inter- well in excess of consensus

> Mr Roach says the recent labour market data have two implications.

activity and consumer spending, there is good rea- slowing back to a stable son to believe that there will be significant spillover from the "outsized" 5.6 per cent real increase in gross domestic product in the fourth

Reserve cannot afford to bank announced it was ignore the risk associated finally to drop its ill-fated



First, in conjunction with with potentially over-shootreports on manufacturing ing growth. With the econgrowth rate, inflation becomes a legitimate cause

■ The New Zealand dollar surged on foreign exchanges Second, the Federal after the country's central

for concern.

monetary conditions index taken based on the index. as a monetary policy target. The Reserve Bank said it would introduce a conventional cash interest rate on March 17 to replace the erratic index - which used a mix of a trade-weighted cur-

New Zealand bank bill rate. The rate will be reviewed every six weeks from its initial setting, but the Reserve Bank retains the ability to change the new cash rate when necessary.

The New Zealand dollar strengthened against the US and Australian currencies when the shift was announced as traders hurried to unwind positions

OTHER CURRENCIES

Currency traders had shorted the New Zealand dollar because the monetary conditions index had been persistently tighter than the Reserve Bank's target level.

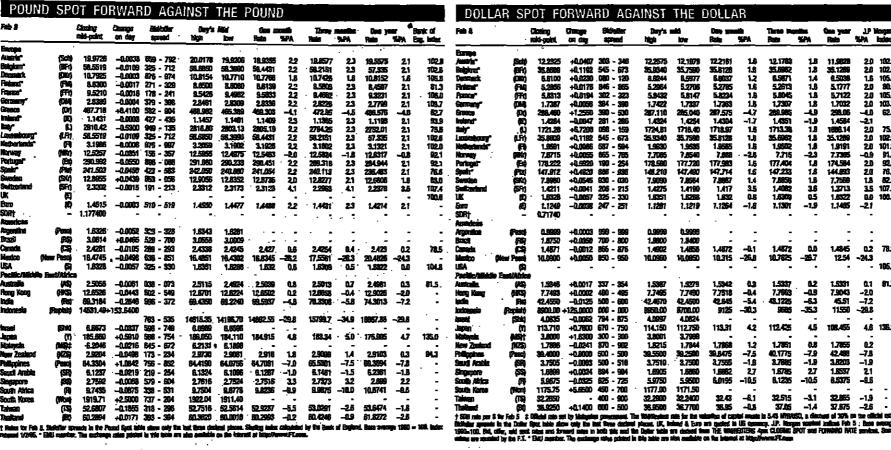
The latest index level was minus 104, compared with the minus 400 level the Reserve Bank called "appro-

priate" in its last statement. Some analysts predicted that the hawkish New Zealand central bank would set a higher official base interest rate than that implied by

market of around 3 per cent. "It is quite likely that the first cash rate will be set above the current 90-day bill yield of 4.25 per cent, perhaps as high as 5 per cent." said ABN Amro's research

team in London. The New Zealand dollar reacted by reaching its strongest level since April 1998, to be worth a touch

3.00 bank bills and the money m Teres, month surpeor forumes and fights between classes the بحورا Sett price Change 9,507 9,535 OF THREE MONTH ELANGES PLEASE (LEFT) (I'm 100-min -0.020 -0.025 -0.030 -0.025 NATAL BORG LIBOR FATURES (LIFFE) ELm 100-mile -0.020 -0.025 -0.030 -0.025 High 86,950 97,055 97,065 98,840 96.940 97.050 97,090 96,845 95.930 5313 1233 1007 136 160216



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	(SFI)	1.4211		206 - 215	1.4275	1.4190	1.417	3.5	1,4062	3.6	1.3713	3.5	
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وهوا إرتوا	(42)	7.7493		490 - 495	7.7495	7.7490	7,7518	-D.4	7.7663	· -0.9	7.9043	-20	
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17 M	(Shic)	4.0835		794 - 675	4.0997	4.0824	-					. :	
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h il ippines	(Pasc)	3 <u>6</u> .4000		500 - 500	39,5500	39,2500	39,6475	-7.5	40.1775	-7.9	42,488	-7.8	
aud Arabiz	(676)	3.7505		500 - 518	3.7510	3.7500	3,7555	-1.6	8.76E	-1.9	3,8203	-1.9	
publishous	(52)	1.6899		B94 - 984	1.6905	1.6860	1,6862	2.7	1.6745	2.7	1.6537	21	
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buta Korea	(Filon)	1175.75		450 <i>- 7</i> 00	1177.00	1171.50	-	-	-	-	-	-	•
	(13)	32,2650		400 - 90C	32,2900	32,2400	\$2.43	-6.1	32.515	-3.1	32,655	-1,9	
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نجب بالأثا	s in the Dollar	Spot, bable 46	ا ما چنت ه	10 Tens (100)	PARK IK, I	and & Euro	and quader is	US QUE	g. J.J. 169	10	index feb	5 : Başı	•
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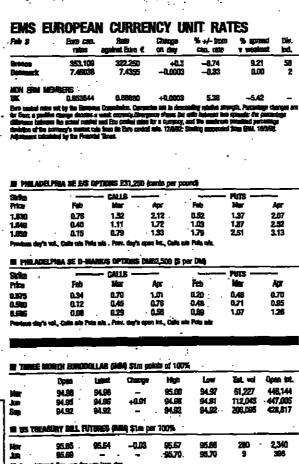
03.2	Price	Mar	مينار	Sep	₽ec	Mar	Jan	Sup	Gec
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•	97000	0.035	0.135	0.200	0.150	0.095	0,085	0 110	0.305
75.3	97125	0.010				0.195			
026	97250	0.005	0.045	0.090	0.000	0.315	0.245	0.250	0.485
01.9	Est wol lotted	Calls 15144	Pate 200	Provious de	y's open in	L, Çalis M	400 Page 3	7275	
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92.4 76.4	n There i	MONTH FUR	9 1180R	OPTIONS !	UFFE CLE	100-72			
828	Strike			Calls				PUTS	
07.1	Price	Mar	Jun .	Sep	Dec	Nac	Jen.	Sep	Dec
00.3	98875	0.085		-		0.020		-	
- 1	97000	0.035	0.135	0.200	0.150	0.095	0.085	0.110	0.305
•	97125	0.010		44		0.195	4,		
	97250	0.005	0.045	0.090	0.580	0.315	0.245	0.250	0.485
-		L C206: 250 P							
78.2			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		-				
102							_ 40=	_	
95.8	IN THERE		0 599955	HUANG PU	JAMES by	H) SHI	N 140-13	<u> </u>	
		Open	Sett pr	ice Cha	nge H	lgt:		Est. vol	Open Int.
81.7	Mar	98.630	98.66				99.600	5832	85477
•	Jun	98,490	98.52				98.460	3396	56101
•	Sap	98.390	98.41	0.0+0.0	20 98.		38.360	1684	34091
٠,	Dec	98.170	99.13	0 +0.0	20 98.	118 .	98.090	78	14844
26.9	THRE!	HONTH BUR	OYEN FU	ruries (LIF	FE) Y100m	100-rat			
•		Open	Sett pr	ice Chas	age H	igh	Low	Est. vol	Open int.
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Business activity and provisional results for 1998 Turnover: 9% rise Net profit: 16% rise

The Board of Directors of Colas, chaired by Mr. Alain Dupont, met on February 4 1999 to examine the Group's provisional figures for business activity and net profit in 1998. CONSOLIDATED KEY FIGURES

	m mugos or	Hencii Irangs	IN NUMBERS OF ELECT		
	1998 (provisional)	1997	1998 (provisional)	1997	
Consolidated turnover	29,539	26,995	4,503	4,115	
Net profit	514	451	78.4	68.8	
Net profit (Group share)	501	433	76.4	66.0	
Funds generated by operations	1,466	1,347	223.5	205.4	

turnover increases 9% compared to 1997, to reach 29.5 billion french francs

Turnover totals 29.5 billion French francs (4.5 billion Euros) compared to 27 billion francs (4.1 billion Euros) in 1997. A breakdown in sales figures shows that mainland France accounts for 17.2 billion francs (2.6 billion Euros), with 12.3 billion francs (1.9 billion Euros) for the international sector, including the French overseas departments and territories. Sales and revenues in Europe and North America represent 95% of total turnover.

The driving factors which have contributed to this increase in turnover are as follows:

- posting of the new American companies' activity following their acquisition in April 1998, for some 1.6 billion francs (249 million Euros)
- slight progress for maintand France's road activity at roughly 3%

· favourable economic course in many countries in which Colas operates.

NET PROFIT (GROUP SHARE) INCREASES 16 %, REACHING 501 MILLION FRENCH FRANCS (76 MILLION EUROS) Provisional net profit figures for 1998 reach 514 million French francs (78.4 million Euros), Group share of net profit after minority interest is 501 million French francs (76.4 million Euros), compared to 433 million French francs (66 million Euros) in 1997.

The statements for 1998 will be finalised by the Group's Board of Directors, scheduled to meet

in France, the road industry should enjoy a market similar to that of 1998. As for the international sector - and namely North America - the road industry should remain on

- The Group will continue developing through external acquisition, with the following priorities:
- · developing international networks.
- · reinforcing industrial activities : asphalt mix, emulsions, bituminous membranes,

expansion in the aggregate production sector.

A project to acquire quarries located in the north-east of France - with annual production of 2.5 million tons - was announced in Decamber 1998, and will be completed during the first half-year of 1999. The Franch watertightening specialists S.M.A.C. and its subsidiary Axter, with 2 billion Franch francs in turnover (300 million Euros), will be acquired for 50 million francs

Thus, forecasts are showing tumover on the rise for 1999.

Financial Times Surveys Indian Infrastructure

Thursday February 25

For further information please contact:

Chris Aston in London Tel: +44 171 873 3230 Fax: +44 171 873 3241 email: chris.aston@FT.com

or Sharmilla Devnani in Mumbai Tel: +91 22 204 8890 Fax: +91 22 283 5799 email: MediascopeRepresentations≼representations≩media-scope.com

FINANCIAL TIMES

Brazilian fall-out continues to affect softs

MARKETS REPORT By Paul Solman and Gillian O'Connor

currency devaluation continued to weigh on soft commodity markets yesterday, with coffee prices falling in London after reports that Brazil's Chamber of Foreign Trade imposing taxes on exports.

The country is the world's largest producer of coffee.

the second biggest soybean Futures and Options Brent blend was \$10.47 a bargrower and a substantial exporter of sugar and cocoa. The prospect of increased supplies coming on to the world market after last month's devaluation of the real has depressed prices.

Traders and analysts are now focusing on reports that the government is considering imposing export taxes to was not yet considering protect domestic supplies.

Robusta coffee for March International Financial

Exchange ended yesterday rel against friday's close of wary of saying that prices at \$1,718 a tonne, down \$5 from Friday's close. March cocoa was down £5 at £895 a sugar was \$230 a tonne in late trading against Friday's

close of \$224. World oil prices remained weak on London's International Petroleum Exchange, with little fundamental news around to move the market. delivery on the London In late trading, the benchmark March contract for

\$10.43.

Analysts were searching Rowley of Macquarie said it for new metaphors, as prices tonne, while March white of base metals moved higher again on the London Metal Exchange.

But although they all ended higher, the real action has been in nickel, zinc and lead, with copper and alu-minium close behind. Yesterday mining shares joined in the fun with Billiton and Rio both showing good gains.

But most analysts are still helped by output disruptions at other producers.

Earlier estimates of the zinc surplus are being was difficult to justify any revised downwards. And the strike at Asarco's Montana smelter has helped push the lead price higher. But, as Nick Moore of

explain the strength of Flemings remarked. "the nickel lead and zinc. destiny of the metal markets Rumours that Inco, due to remains very much in the publish its quarterly figures hands of the producers. Cutthis week, will take the backs must still feed opportunity to announce through if this hard-fought production cuts have supgain is to be consolidated." ported the nickel price -

NEWS DIGEST

INDIA

Rice and wheat lead agricultural recovery

A sharp revival of non-basmati rice sales and wheat exports helped Indian agricultural exports rise 37 per cent for the first half of its fiscal year, ending next month. Total exports of foods, fruits, livestock and other agricultural goods hit Rs43.6bn (\$1.03bn) between April and September, against Rs31bn for the period a year earlier, according to figures from the Agricultural and Process Food Products Export Development Authority. Both wheat and non-basmati rice sales recovered strongly from negative growth in the previous year.

Non-basmati rice exports rose 184 per cent to Rs18.7bn after falling 16 per cent the previous year. Wheat exports also recovered from negative growth of 99 per cent a year earlier to post a 332 per cent rise to Rx15.6m. Other strong export performers included basmati rice, which rose 23 per cent with sales of Rs9.5bn, along with floriculture and seed products, which rose 20 per cent to Rs830m.

However, the agricultural authority's quarterly report noted declines in exports of livestock, dairy and meet products. It also noted mixed performance among food processing sectors, with processed fruit and vegetable exports using 11 per cent to Rs3.54bn, but other processed foods sliding 1.4 per cent to overall sales of Rs6.25bn, dragged down by an 80 per cent fall in groundnut sales at Rs470m against Rs2,4bn. Mark Nicholson, New Delhi

Price fall hits spice exports

india's exports of spices are set to fall short of targets this year because of a drop in demand and prices, according to industry sources. The government fixed a spices export target of 248,050 tonnes valued at Rs17.18bn (\$404m) for the financial year ending in March. However, exporters said only 55 per cent of the volume and 63 per cent of the value had been achieved and it was not possible to make up the difference during the next two months.

The Spices Board said India exported 137,495 tonnes of spices valued at Rs10,86bn between April and December 1998 against 170,652 tonnes worth Rs9.99bn in the same months of 1997. Spices exports hit a record of 228,821 tonnes valued at Rs14.08bn in 1997/98.

Pepper continues to top the list of the 52 spices in the export basket, accounting for 39 per cent of the total earnings. Between April and December 1998, India exported 22,250 tonnes of pepper compared with 26,554 tonnes in the same months of 1997. India set a target of 35,000 tonnes of pepper exports for 1998/99. It exported 35,719 tonnes of pepper in 1997/98, Paul Solman and Agencies

PAKISTAN

JOTTER PAD

Jamaica government moves to prop up sugar industry

Tropicana becomes the fourth alling mill to be renationalised as part of a concerted rescue attempt, writes Canute James

ailing sugar industry, plagued by inefficient production and poor weather, the Jamaican government has moved to provide financial aid and take control of an increasing number of sugar mills facing financial difficulties.

The government recently announced that it would regain control of Tropicana, The government which had been leased to a private company through a is trying to management contract.

In spite of \$5.25m in government support last year, it became insolvent, and Roger Clarke, the agriculture minister, said that he did not industry once the expect the mill to become profitable within the next

The takeover of the Tropicana mill is part of the government's efforts to prevent the collapse of an industry that was once the foundation of the island's economy, and is still economically important and a big employer.

The industry employs 28,000 people, and another 13,000 seasonally during harvesting. It also brings in about \$100m a year from sugar exports, but the indushigh labour costs and low investments by the manufac-

The government's move to regain control of Tropicana follows the renationalisation of the island's three largest mills from private owners to whom they had been

prevent the

collapse of an foundation of the island's economy

divested four years ago. "In addition to this, the government has been assisting sory notes, but were reposother mills," said Evon Brown, chief executive of the Sugar Industry Authority. "Almost all the mills have financial problems and need

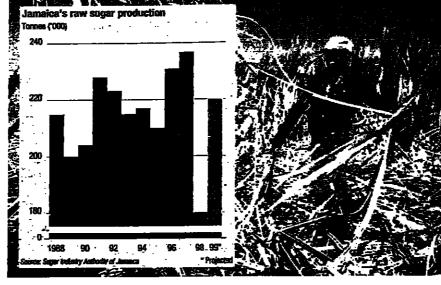
The state intervention in

n an effort to support its try has been plagued with ble by loans totalling \$100m. The state-owned Agriculture Credit Bank has secured \$60m from Banco Santander of Spain, while the Carib-bean Development Bank is providing \$25m. The remaining \$15m has been obtained from "other sources in Europe", and the terms of the loans will be disclosed when negotiations are con-

cluded. In renationalising the three divested mills, the government said they had not met productivity and production targets and depended too heavily on state financial support.

A 51 per cent stake in the mills, which produce 70 per cent of the island's sugar, was sold to the Sugar Company, a consortium of two local companies and Booker Tate of the UK.

The mills were sold for \$28.5m in cash and promissessed for the nominal price of J\$1 (2.7 US cents) after the government had pumped \$77m into the Sugar Company to keep it going. The Sugar Company's operations were adversely affected by rent harvest will be the industry was made possi- its inability to reduce pro-



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very bullish general predic-

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ca's competitors, Mr Clarke has been more favourable,

government dis-"The cussed with the private sugar after it has met its shareholders of the Sugar Company the extent to which they were willing or able to provide funds to keep the company going." Mr Clarke said.

"They advised that they would not be providing any additional financing to the company." Following the sharp fall in

production to 180,000 tonnes of sugar last year due to poor weather in the region, the 220,000 tonnes production target set for the curachieved, Mr Brown said.

SOFTS

ML COCOA LIFTE (10 bonnes; \$76

duction costs which are Although output is higher be importing again this higher than those of Jamai- than a year ago, and weather even this higher output will leave the island short of

> Jamaica has an export quota of 127,000 tonnes per year to the European Union and a quota of 16,000 tonnes per year to the US. The predicament means that Jamaica has been forced to Brazilian currency. import sugar for the domestic market.

export quota commitments.

"We have been importing raw and refined sugar to fulfilling our quotas," explained Mr Brown. "We usually import about 50,000 tonnes of refined and 70,000 tonnes of raw sugar. We will

Meeting the export quotas is vital to the survival of the industry as it would be hard for Jamaica to sell profitably on the world market.

The island's production costs are 33 cents per pound, four times more than the world market price, which has been further depreciated by the devaluation of the

"The Jamaican industry could not survive without these preferential markets, said Mr Brown.

"But we are working at improving this situation. We are committed to reducing production costs through improved efficiency and higher productivity."

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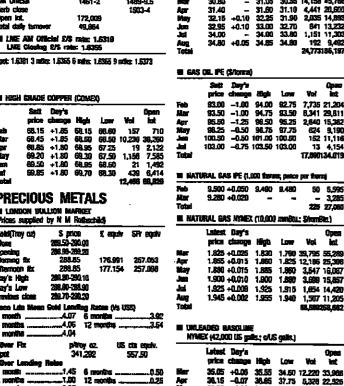
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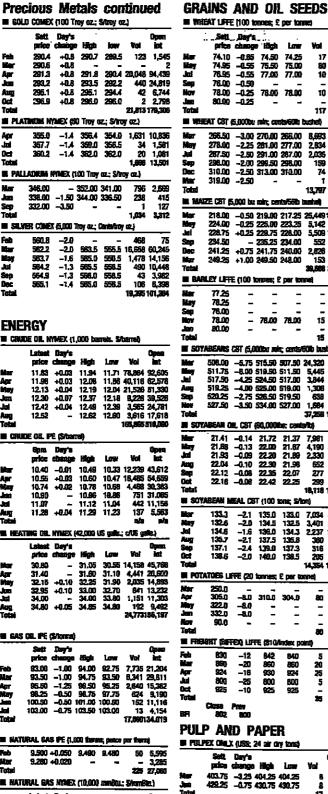
III LIVE CATTLE CAE; (40,000lbs; cests/lbs)

Sugar cane harvest to rise

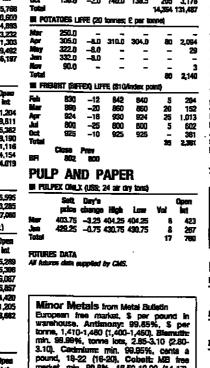
Pakistan's sugar cane harvest is expected to rise 3 per cent in the 1998/99 fiscal year, according to figures from the agriculture ministry. Total cane output is estimated at 55m tonnes against 53.1m tonnes in 1997/98. However, officials said recovery of sugar from cane was expected to be lower than last year. Paul Solman

COMMODITIES PRICES **BASE METALS** ■ GOLD COMEX (100 Troy oz.; \$/troy oz.) LONDON METAL EXCHANGE III ALUMINEUM, 99.7 PURITY IS per tonn 1215-6 JRHW ALLOY (S per tonne 1035-8 Kerb close Open int. Total daily lumover ME LEAD AS per toni Close Previous High/foet AM Official Kerb close Open int. Total daily surrower 521.5-22.5 513.5-4.0 IN MICKEL IS per tonne Close Previous High/low AM Official 4750-55 Kerb close Open int. Total daily turnover Titl (5 per tonne) 5340-50 5340-50 97,089 57,281

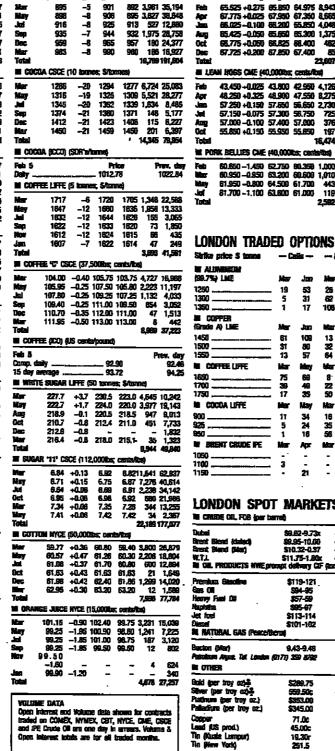


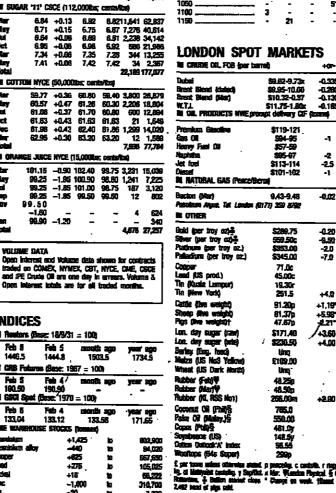


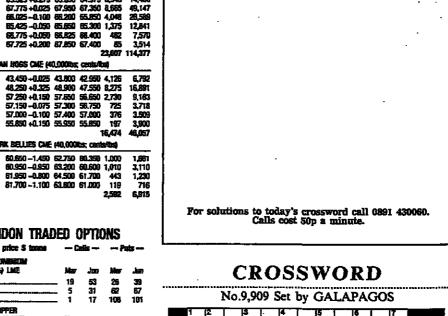


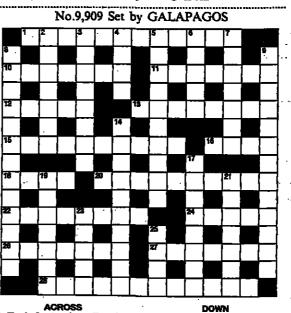


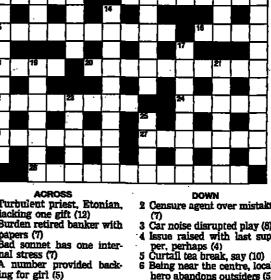
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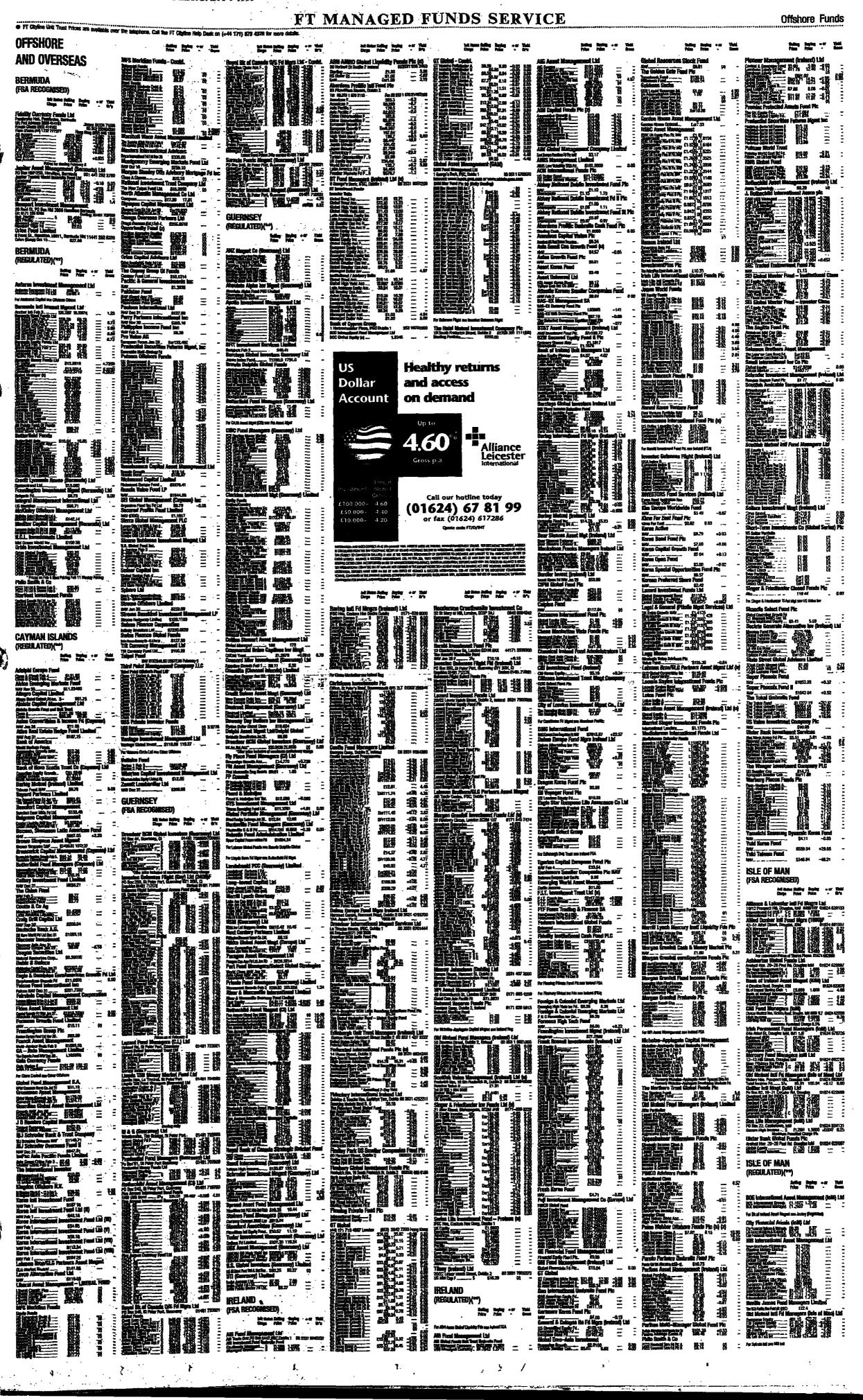
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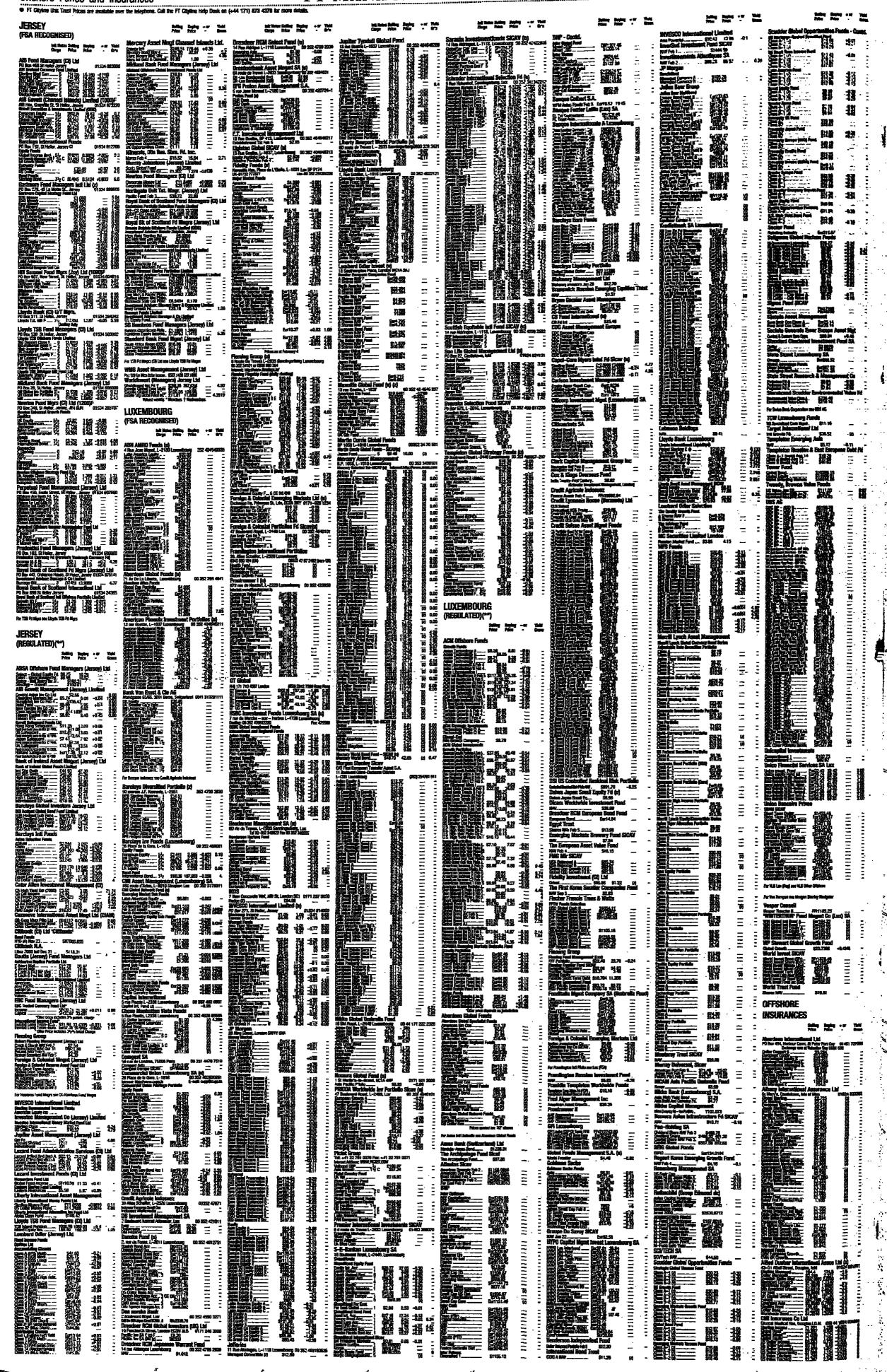


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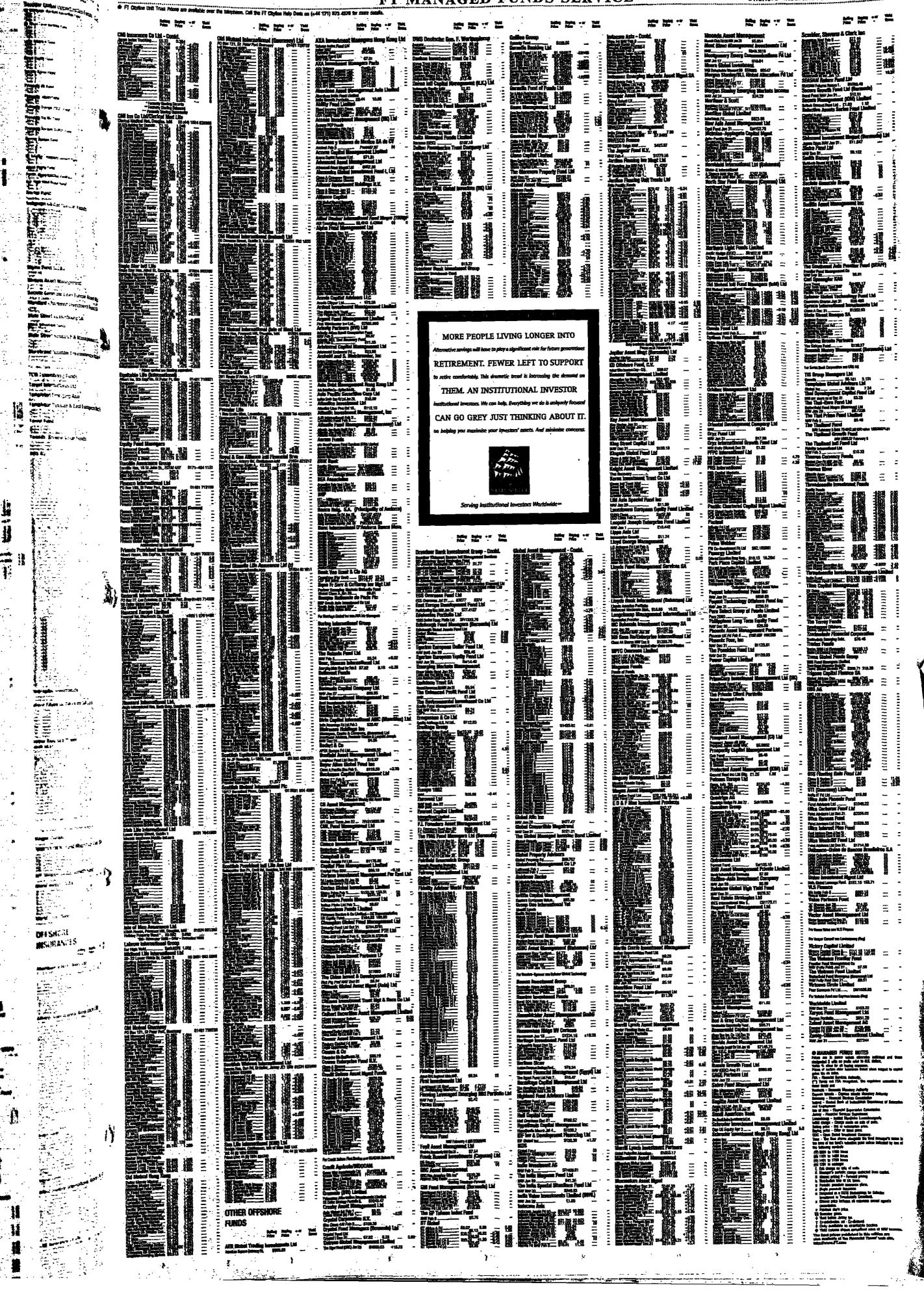
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Footsie slides again as SmallCap rise continues

MARKET REPORT By Steve Thompson, UK Stock Market Editor

In a downbeat Monday performance, London's leading stocks extended their losing streak to a fourth session yesterday.

But dealers insisted that the downside pressures affecting the front-line stocks were no more than minimal, and that it was mostly sentiment, rather than actual selling, that had caused the market setback.

Rio puts

on grand

showing

COMPANIES REPORT

and Martin Brice

its hiding hole.

By Peter John, Joel Kibazo

The hunt for bombed-out

cyclical stocks began to pur-

sue the extractive industries

and flushed Rio Tinto out of

night putting the finishing

touches to a big "buy" note

on Rio, having discussed the

potential for one of the big-

gest mining companies at

graded from "hold-positive"

on the basis that metals

prices are bottoming out and

the annual iron ore contract

and Australia might be more

encouraging for producers

Mr Hatch also said the

yield in Rio was up at 4.3 per

cent first thing, while Billi-

ton had reached 5.2 per cent.

"You can buy these shares

as yield plays in a falling

interest rate environment

and get the recovery for

free," said Mr Hatch.

than previously thought.

Analyst Nick Hatch up-

the morning meeting.

Robert Fleming was last

on cost-cutting with the fullyear figures on February 25.

At the close the FTSE 100

its fall over the past four ses-

And after a session of sub-

sions to 178.1 or 3 per cent.

ing and other sectors.

rate cuts.

Rio jumped 39 to 790p and exploration and production stock, jumped 141/2 to 1181/2p as the market decided it was now or never for the bid.

The company has been in talks with Enterprise but of caution from Neil Perry of last week stories developed that BG - which has extensive exploration and producfor one or both of the said.

There have also been suggestions that a European company such as Eni of Italy could show its hand.

over of 7.4m, suggested some Billiton I1 to 126p. investors considered the Lasmo, the embattled oil talks with Enterprise would investors considered the be terminated and, with rivals having completed their due diligence, Lasmo was clearly in play. However, there was a note HSBC Securities. "The mar-

ket is in danger of pricing in

collapse of talks with Lasmo

too much of the offer pretion operations - might bid mium without an offer," he Enterprise gained 10% to 234%p, partly dragged up by the takeover speculation but also on the belief that the

Feb 8 Feb 5 Feb 4 Feb 3 Feb 2 Yr ago "High "Low

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STOCK MARK	ET TR	ADING	DATA			
	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Yr ago
SEAQ bargains	74,722	74,587	73,986	77,586	77,222	13
Equity turnover (Emit		4176.2	5298.2	4639.5	4491.3	84
Equity bargainst	-	64,651	64,045	66,474	67,815	ns.
Shares traded toot	-	1109.8	1284.2	11729	1209.2	112
Total market bargains‡	-	N2	74,063	77,856	80,097	-
Total tumover (2004)	-	113	6294.0	5766.7	5520.7	-
Total stars traded (mpt	7010.9	02	1523.1	1433.1	1448.3	-
Tradecoint-furnover (Em)	26.8	28.5	36.8	33.5	29.4	20.9
Tradecoint shre traded(m)	13.9	12.3	125	6.9	12.7	9.8
(Excluding Intra-market and over later-market terrover.	SHE PERCHE	but including	Crest lameres	. UK paly	intal at Space	‡ UK plus

In addition. Deutsche Bank upgraded Rio to "outperform" from "underperform" with an 850p price tar-52 Week bights and lows get. The broker said the Total Rises shares were trading at an

of the year, were again sus- and back again, the FTSE famine in the small-caps, benefits. tained by the takeover news 250 eventually ended the ses- with the constant flow of sion 6.1 off at 5,206.4. prevalent among engineer-

Unlike the senior indices, the FTSE SmallCap, which But even the mid-caps were tainted by bursts of has left both the FTSE 100 and MidCap indices for dead profit-taking, despite racing since the start of the year, ahead in recent weeks as continued its impressive perbids galore have emerged in the sector and as the housebuilders have responded to a session high of 2,217.1, up five months of UK interest

"The bids keep coming in the smaller companies and index was left with a 20.4 that is something the market decline at 5,834.9, extending can't argue with, unlike the leaders," said one small-

companies marketmaker. He did warn, however,

The rise in the shares yes

terday, coupled with turn-

warnings. The bids in the small-caps included software group Rebus, Limelight, the kitchformance, closing the day at ens and home improvement group, and Cafe Inns, the north of England pubs

> The big market story of the day, however, was Ladbroke's agreed bid for Stakis. the hotels to casinos group. which saw shares in both companies running rampant

Best and worst performing FTSE sectors

vould eliminate the need for

a cash-raising exercise. BG

A feeling the Ladbroke Group offer for Stakis was

well below market expecta-

tions helped shares in one of

the UK's biggest gaming and

"Let's face it. Ladbroke

has managed to negotiate a

very good deal. It is getting

Stakis cheaply," said one lei-

Ladbroke said it had made

a recommended cash and

shares offer for Stakis, valu-

ing the group at around

£1.16bn. Investors moved

strongly into Ladbroke.

sending the shares 38 or 16.5

per cent ahead to 269p, by

far the best performance by

FTSE 100 constituents. Turn-

over of 27m made it one of

the most heavily traded

Stakis was also in demand.

The shares were the best

performers in the FTSE 250

for most of the session

before a late burst of profit-

taking saw them relinquish

the top spot. They still

closed 16 up at 157p. Gran-

ada ended 22 off at £11.34%. SmithKline Reecham

stocks in the benchmark.

leisure companies soar.

sure sector specialist.

rose 11/4 to 362p.

the FTSE 100 since the start tile shifts from plus to minus that there was either feast or as the market took in the

Ladbroke's cash-andtakeovers in the area being shares move was spiced with industrial production in the matched by an equally con- a well-received profits forestant flow of profit cast. The market was also quick to appreciate the a consensus forecast which acquisition of David Michels, regarded by industry specialists as the best of the UK hotel group managers. "He is the real star of the Stakis

group," said one broker. The broad market began the day on the back foot and remained there for the rest of the session, rallying briefly as Wall Street kicked off the day in good heart only to falter very quickly.

ing on a push from ABN

Amro, which moved its

recommendation from "long-

term accumulate" to straight

"buy" following the stock's

The broker has adjusted

its valuation model to take

into account the fast-track

approval for Avandia, the

In addition, some dealers

said the pharmaceuticals

group was about to

announce it had completed

And although it is expec-

ted to sell at a big discount

believe it could clear the

Mark Brewer at ABN said

SmithKline now ranked 10th

but closed 2 better at 800%n.

Scotia Holdings jumped 29

agreement with General

license Olibra, Scotia's appe-

is now the biggest cereal seller in the US with turn-

and

tite suppressant.

decks for consolidation.

SmithKline ranking

the disposal of Diversified

Pharmaceutical Services.

underperformance.

diabetes treatment.

Sentiment in London was hit by more damaging economic news, which saw UK slide 0.8 per cent in December, well in excess of looked for a 0.2 per cent

decline. That news, along with subdued producer price data, was seen as likely leading to more rate cuts in the UK. despite the 200 hasis points reduction that have taken place over the past five months.

Turnover in London remained robust, reaching 1.01bn shares at 6pm.



7% to 935p in trade of 9.4m. The selling of mobile operators Orange and Vodafone Group, left shares in both languishing. The former gave up 15 to 851p. while the latter fell 9 to £10.76%, with

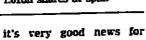
to hit Psion's Symbian alliance with a number of leading mobile telephony compato the \$2.3bn it paid for DPS nies. Psion was off almost 6 in 1994, some analysts per cent or 521/2 at 876p. Early last year the shares

were at 205p. Food retailer Safeway followed the market trend, the shares closing 2 off at 276%p. as the group posted a confi-

in the world in terms of overall sales. The proposed bids and mergers in the merger between Astra and Zeneca merger is seen as increasing the pressure to be ish Aerospace share price, one of the global leaders. with positive comment from CSFB having an effect. The shares were up 7 at best,

The broker said, in a weighty research document Dasa of Germany possibly

won't tion valued the company at



12m dealt by the close.

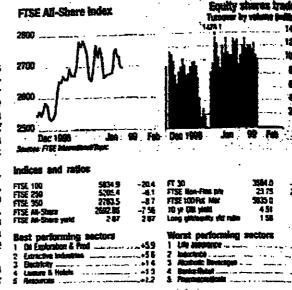
Psion suffered the worst fall in the FTSE 250 after the announcement by BT that it was to work with Microsoft, the US computing giant, to vices for mobile phone users around the world.

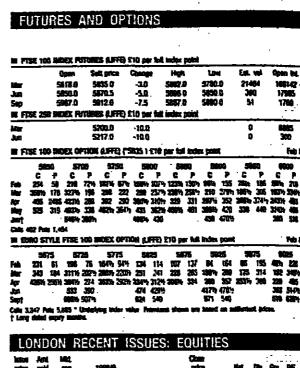
The move is seen as likely

The prospects for further European defence industry continued to drive the Brit-

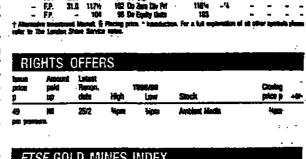
to 98%p after it signed an that it believed BAe would "attract transatlantic merger Mills for the US group to attention, with CASA of Spain. Alenia of Italy and Dr Sally Bennett of Suth- joining in the interim".

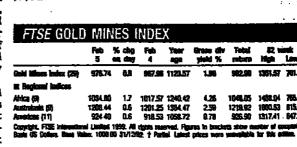
the broker told clients that its sum-of-the-parts calcula-

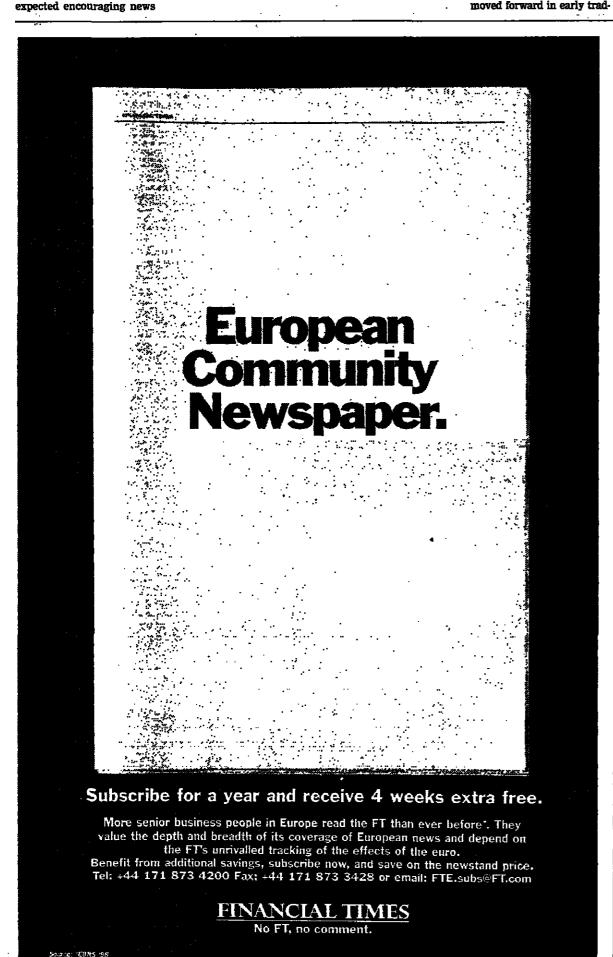


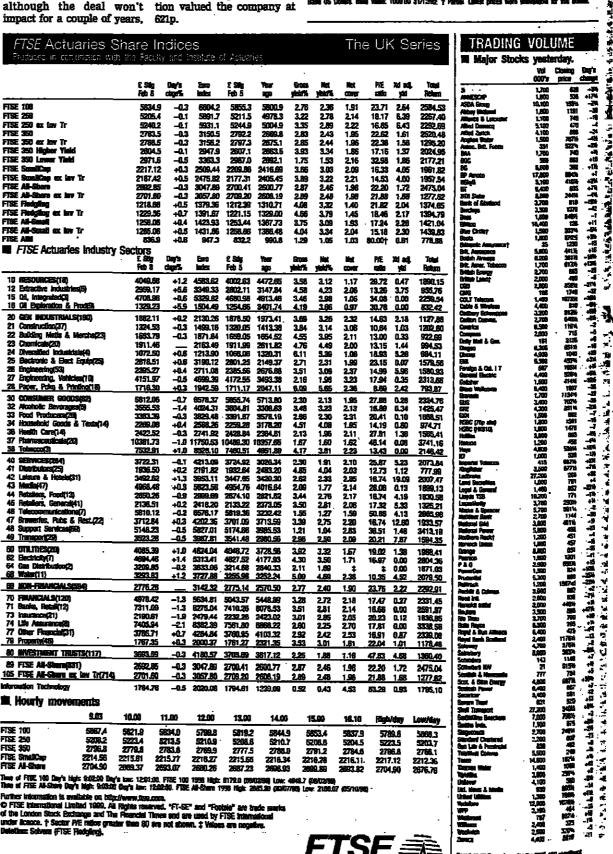


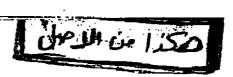
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Portugal	291.99	-1.7	+9.7	
Polancia	548.53	-2.6	+4.8	
Portugal	296.84	+0.1	+1.5	
Parasia	22.70	-1.3	-3.2	
Turbay*	144.39	-2.6	-1.3	
Barosta	101.96	-0.3	-0.3	
Jordan	227.92	-0.2	+4.8	
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Sakitan	103.84	+22	+8.2	
Zambabus*	177.84	+22	+8.2	
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NEW YORK STOCK EXCHANGE PRICES The Day of
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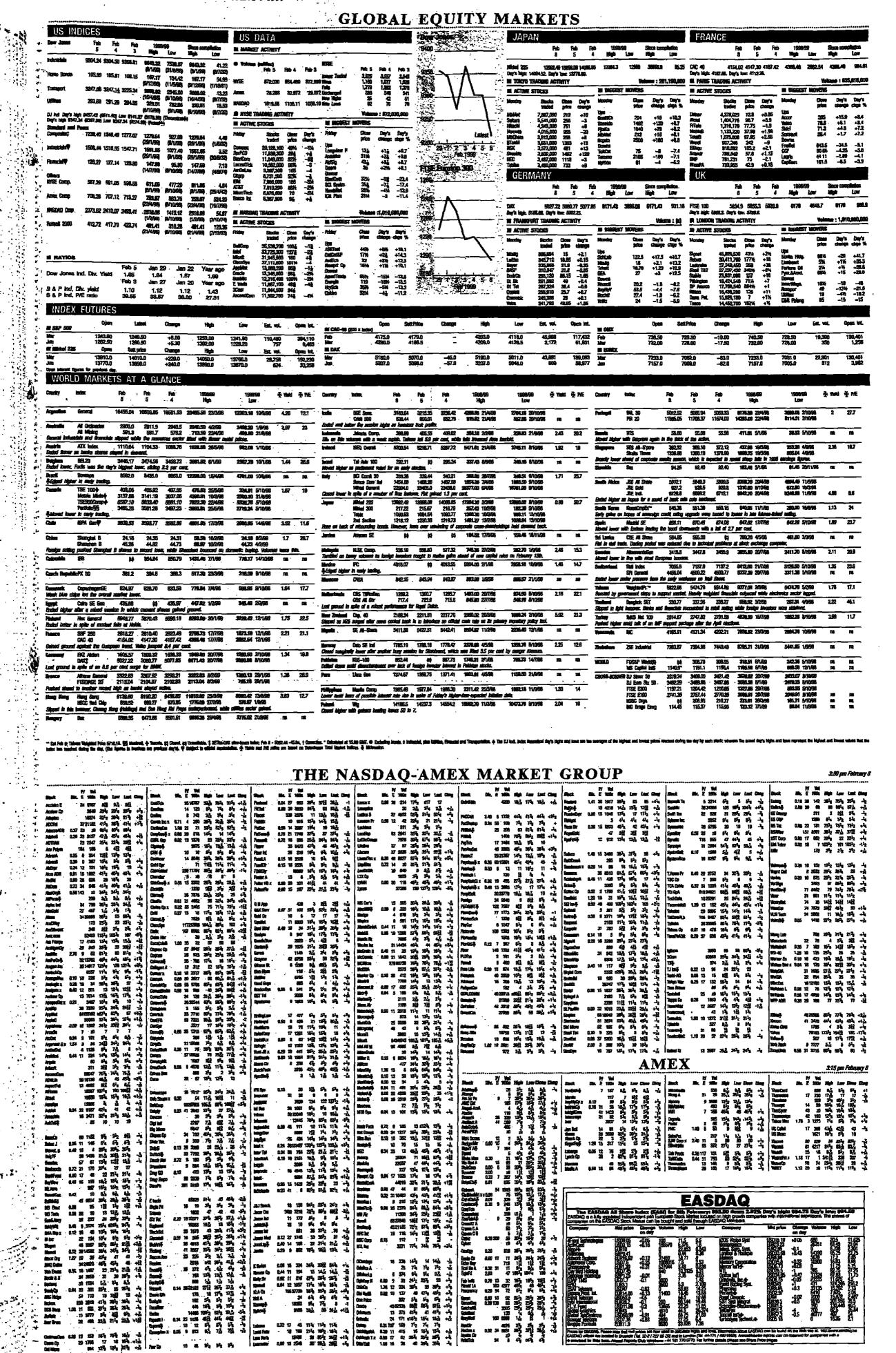
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Bourses drift on wave of economic doubts

WORLD OVERVIEW

Global equities picked up yesterday where they had left off last week, drifting lower amid nagging economic doubts and concern for Wall Street's highly charged technology sector,

Asia continued to trudge lower, while in Europe the broad tone also matched the mood of recent sessions, taking its cae from the latest batch of industrial figures

put in December was

Although the outcome was widely seen as a possible bottoming-out of the cycle, it was an argument that carried little weight coming on top of last week's 2.8 per cent decline in December industrial orders.

The overall numbers showed German industrial output for 1998 shrank 0.8 per cent, whereas most analysts had expected a figure

There was no comfort in any of this for the Frankfurt market, which continued to lag other core euro-zone members. The Xetra Dax index. which has a heavy weighting of basic industry groupings, is now almost 20 cent short of its peaks of last July.

Wall Street had no support to offer in early trading. Having tumbled 5 per cent last week, the Nasdaq com-

for US tech shares, remained groggy in spite of a better showing by sector leader Microsoft after last week's near 10 per cent shakeout.

The early mood in the US market was not helped by a warning of a 5-10 per cent correction from Ralph Acampora, the widely followed technical research director of Prudential Securities.

The day's Asian upsets mostly centred on Malaysia, where the recently reopened

locked-in foreign funds continued to spark wholesale selling. Following the imposition of capital controls. Malaysian equities doubled in value between September and January. They have fallen 9 per cent since the

close on Thursday. Salomon Smith Barney did its best to keep the mood confident, releasing its list of capable of giving European top European stocks for 1989 and pointing to fundamental

link-up with Motorola would

add \$1bn to sales over four

years. The stock gained €3.90

Renault, up €1.40 to €44.50,

and Peugeot, up €1.50 to €136, benefited from the

sacking of BMW's chairman,

which, analysts said, made

the German company a

nomic activity later this year

gave a boost to cyclical

stocks, with Lafarge up €4.90

to €80 and Usinor 85 cents

ZURICH came under pres-

sure from sagging S&P 500

futures and weakness on

Wall Street. The SMI index

finished 81.1 lower at 7.055.9.

announced plans for a single

share structure, put on another SFr17 to SFr1.815.

Alusuisse jumped SFr48 to

SFr1,618. The company,

ABB, which last week

Hopes of a pick-up in eco-

potential bid target.

higher to €12.80

to €96.70.

from Germany, where out in the region of plus 0.1 per posite index, the benchmark window of repatriation for kets in its latest European portfolio strategist.

some major markets offering double-digit upside potential - notably Spain and Switzer-

The broker says that the European index is back under fair value target with

"We believe the mechanisms for further liquiditydriven gains remain in place, markets an upward bias over

Germany's Viag, will hold its

The stock slumped SFr33 or

MADRID shed 1.4 per cent,

as losses in electrical utility

Endesa dragged the General

Endesa lost 0.62 to 22.33 as

index down 12.38 to 858.11.

shareholders in Chile's Ener-

taria 85 cents to €22.32

line with its neighbours and

on disappointment that

Volvo had not yet launched

a full bid for truck and bus-

maker Scania. The general

index finished 30.45 weaker

SKr244 as investors regis-

tered disappointment at the

apparent lack of progress

Volvo. Scania rose 5.7 per

cent last week on mounting

speculation that Volvo was

about to make a bid, after

taking a 13 per cent stake last month. Volvo eased

Morgan, Bertrand Benoft, Peter

SKr2 to SKr213.50.

towards a merger with

Scania lost SKr10 at

at 3.329.84

5.5 per cent to SFr573.

The latest convert to the attractions of the Milan stock market has been Maxsimo D'Alema, the first former member of the Communist party to become prime minister of Italy. On a visit to Milan's new

MARKET FOCUS

privatised stock exchange last month, Mr D'Alema sald he was embarrassed to admit he had visited the New York exchange before coming to the Milan borsa.
It only went to show
"Italy's mania for all foreign

things", he conceded. It seems he is not the only one suffering from a bout of

renophilia. Since the beginannual press conference on ning of the year, Italian households, the world's big-Friday. But Swisscom was gest savers after the Japahit hard by profit-taking. nese, have been reshaping their portfolios to adapt to the euro. Equity funds investing primarily in the Italian stock market recorded a net outflow of €178.7m last month but there was a net inflow for funds

investing in the euro-zone. sis considered whether to allow the Spanish company The latest mutual fund figto take a majority stake in ures provided by Banca Fideuram showed Italian Lingering concern over investors had become worbanks' exposure to Brazil ried by the high volatility of took its toll, with BBV down the equity market and 26 cents to €12.75, BCH 27 turned again to steadier bond funds. These funds cents to €16.01 and Argenwere also net sellers of STOCKHOLM was lower in domestic bonds last month

by €2.3bn and net buyers of foreign bonds by €11.24bn. Low bond interest yields coupled with worries over political stability have damped last year's enthusiasm for the Italian market following the country's qual-

ification for European economic and monetary union. Although equity trading volumes last month were nearly double those of December, the market has hardly moved since the beginning of the year. The broader Mibtel index ended January flat while the blue-chip Mib 30 index ended

1.37 per cent lower. A group of blue chips and some internet and publishing-related stocks have contin-



ued in enliven the market Since Franco Bernabe took over two months ago at Telecom Italia, the privatised has seen its share price rise reflects in part his swift efforts to reorganise the company, shaken last year by management turnoil. His decision to abandon its pay-TV ambitions has also encouraged the market as have his intentions to sell

DOD-core assets. However, intense takenve speculation has fuelled the share price. The government is expected to sell its remaining stake as early as next month. Mr D'Alema has suggested this stake may be sold to a strategic partner who could become the company's largest shareholder.

Fiat, too, has had a reasonable run on the back of consolidation in the motor industry. After unsuccess fully bidding about \$14bn for the entire Volvo group. Figt is now considered as a possible merger partner for BMW.

Publishing stocks have outperformed by far the rest of the market. Class Editori, floated at the end of 1996, gained 230 per cent in January because of its growing internet interests. The Espresso group rose 43 per cent and Mondadori nearly

Paul Betts

Dow slips as Bonds put Frankfurt in shade alliances fail to inspire

AMERICAS

Wall Street lost early momentum, trading lower by midday as a series of alliances in the communications and computer sectors failed to inspire the broader market, writes John Labate

🔨 in New York. By early afternoon the Dow Jones Industrial Average was down 49.17 or 0.53 per cent to 9,255.07. The broader Standard & Poor's 500 index was down by less than a point at 1,238.50, while the Nasdaq composite pushed 14.51 higher at

Bonds picked up, with the 30-year Treasury bond up # to 98#, sending the yield lower to 5.329 per cent.

Putting pressure on the Dow, International Paper fell \$11 to \$43 and J.P. Morgan \$3% to \$98%. Union Carbide rose \$1 1 to \$41 1/4.

Shares of IBM were down \$% to \$164% after the com- 58.47 lower at 6,574.90 in volpany said it had entered a marketing alliance with five leading record companies.

Nextel Communications gained \$1# or more than 5 per cent to \$31 after the court dropped to C\$46.80 company announced a wireless service alliance with internet company Netscape Communications. Netscape fell back on the news, off \$1 to \$68%. Most internet shares were down, sending the American stock exchange's internet index off

by 1.4 per cent to 717.12. A wireless internet pact between Cisco Systems and shareholder. Motorola also met with tors, who sent Cisco's shares gained \$1% to \$68. The stock was topped by CTV.

joined in a rally with other emiconductor stocks after Merrill Lynch upgraded several companies. LSI Logic climbed \$25 or more than 12

per cent to \$26%. Chubb, the property and casualty insurer, fell \$3% or more than six per cent to \$54 after the company said it had reached a deal to buy specialty insurer Executive Risk. The announcement sent Executive's shares up \$19%, a rise of more than 44

Airline stocks were lower after a recent run-up in price. AMR, parent company of American Airlines, tumbled \$3& or more than 5 per cent to \$56% after it said it would cancel 360 flights due to a dispute with pilots.

TORONTO was weak at resource stocks were offset by weak financial services es. By midday, the TSE-300 composite index was time of 25m shares.

A plunge in Newcourt Credit Group accelerated the fall in financial services as the session progressed. Newbefore recovering slightly to trade C\$7.25 down at C\$47.40 amid reports that it had backed out of a deal with

Deutsche Bank. Analysts said Newcourt was expected to buy the ailing US arm of the Frankfurtbased bank in exchange for stock which would have made Deutsche a major

CanWest Global Communimixed results from inves- cations sank C\$2.30 to C\$21 after its bid for 68 per cent of down \$1% to \$100%. Motorola NetStar Communications

Currency scares leave investors unperturbed

Private equity investors in MEXICO CITY, which the US have not lost their remains the favoured destiappetite for Latin American nation for investors, was shares in spite of the cur- posting modest losses at rency turmoil in the region, according to a survey by

the funds polled said the cri- as investors waited for stock sis would not affect their options in Telebrás to investment plans in 1999. Brazil's devaluation, they noon. insisted, had created buying opportunities by cutting the

The company's preferred

midsession, with the IPC

index down 11.73 at 4,001.82. In SAO PAULO, the Bov-A total of 67 per cent of espa index was up 44 to 8,479 mature in the early after-

receipts were up R\$0.50 to

Concerns about financial instability in Asia, Russia and Brazil, combined with higher yields in the bond market, sent FRANKFURT to a lower close. The pullback reversed

early gains that greeted the setback for Chancellor Gerhard Schröder's Social Democrats in Sunday's Hesse state election.

The Xetra Dax index, which peaked at 5,174.25 early in the day, closed 45.04 lower at 5,052.44.

BMW soared €57.49 or 8.6 per cent to €726.49 as invesresponse to Friday's boardroom changes. The stock saw upgrades from Goldman Sachs and Deutsche Bank

The FTSE Eurotop 300 index fell 7.22 or 0.60 per cent to 1,197.21. See Euro Prices page.

Global Equities, while Lehman Brothers put a break-up value of at least €1,380 per share on the carmaker, and repeated a buy recommenda-

Industrial group Metallgesellschaft shot up 14.7 per cent after the group posted double-figure profit growth for 1997-98 and announced plans to take a near 75 per cent stake in the Gea engineering group. Metaligesell-schaft rose €2.30 to €18 and Gea €3 to €27.

Pharmaceuticals group Schering turned back from a high of €125.99 to close €2.64 lower at €120.86 as profittaking took hold after the group announced preliminary 1998 results.

Sports brand group Adidas-Salomon put on €2.70 to per cent surge in response to results and a forecast of a

robust earnings increase. The utilities had a good election for the Green party, which is committed to phasing out nuclear power. Viag rose €17.50 to €480.50 and Veba €1.83 to €49.33.

Feb '99 Jan

€3.81 to €54.19 as speculation tors registered a positive over possible additional credit risks on its real estate AMSTERDAM shed 6.12 to

528.24 on the AKX index in spite of a 1.1 per cent advance by market heavyweight Royal Dutch. The oil giant rose 45 cents

to €40.10, boosted by the group's plans for an \$8.5bn expansion of the Nigerian oil industry and with sentiment gaining ahead of Thursday's sults statement. ING and Akzo Nobel were

given a mixed reception after their inclusion in Salomon Smith Barney's list of European best picks. ING gave up €1 at €50.70 but Akzo ended all square at €36.35 after a high of €36.90. Brewer Grolsch dipped 60 cents to €21.90 ahead of

today's results statement. Heineken shed 90 cents at PARIS ended little changed after a weak Wall Street put a late damper on

an initial bout of optimism. Strong automobile and cyclical stocks had helped lift the CAC 40 to an intra-682.60, adding to Friday's 8.5 day high of 4,187.66 before the index slipped back to

4154.02, up 6.72. Among stocks to benefit from fresh takeover news, day in response to the poor Accor gained €15.9 or 8.4 per showing in Sunday's Hesse cent to 6205 after it said it would buy 65 per cent of tour operator Frantour from state-controlled SNCF.

Alcatel defied the downward trend in telecoms fol-HypoVereinsbank gave up lowing news that a planned

SOUTH AFRICA

Johannesburg ended on a positive note with the market concentrating on finan-

Donald Gordon, chairman,

Liberty gives Jo'burg life

would clear the way for a

merger with Standard Bank. Standard put on 75 cents to R20.50

The overall index rose 62.8 to 5,912.1 and financials iumped 169.5 or 1.8 per cent to R110.60 on the view that 29.4 to 6,728.6 and golds

cials as expectations grew for a high-profile merger and a cut in interest rates Liberty Life put on R10.60 to 9.435.9. Industrials rose

Tokyo halts five-day decline

ASIA PACIFIC Shares in TOKYO rose after five days of decline, on the back of a recovery in the Japanese bond market and dollar, writes Julie Hess.

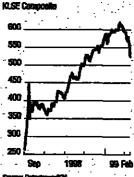
Investors were relieved that the dramatic fall in bond prices had come to an end, with the benchmark 10year government bond's yield falling 20 basis points from Friday's close to 2.16 per cent. Moreover, a stabiexchange market also pro-

vided support. The Nikkei 225 index rose 94.41 to close at 13,992.49, after trading between 14,024.92 and 13,770.89. The advance was broadly based. with the capitalisationweighted Nikkei 300 index gaining 1.55 to 217.22 and the Topix index of all firstsection shares rising 5.99 to

Advancing issues outnumbered decliners 527 to 516, with 226 issues unchanged. Trading volume was weak, falling below the 300m mark

to 261m shares. Rubber products was the best performing sector, gaining 5.2 per cent. However,

only three stocks were up,



between potential winners and losers in the sector. Bridgestone climbed Y160 to Y2,500, Sumitomo Rubber Y7 to Y653 and Tokai Rubber

Y18 to Y1,255. Sumitomo continued to benefit from investors' high expectations on the tie-up with Goodyear. Bridgestone's price increase followed a newspaper report about a possible upwards revision of profits.

In Osaka, the OSE index closed up 81 at 14,811. KUALA LUMPUR continued to experience heavy sell- index slid 7.19 to 330.77. ing by foreign investors determined to repatriate funds at the first opportu-

Malayan Banking lost 45 cents to M\$6.65 and Tenaga 20 cents to M\$6.25.

> ume of 200m shares for a two-session decline of 9 per TAIPEI shrugged off poor performances in the region for the second consecutive sion, gaining 2 per cent as

margin-call pressure eased

after last week's plunge. Measures announced by the finance ministry on Sunday, including lighter conditions for brokerages to lateral, helped the market rebound. The government said it would publish additional steps on Wednesday, aimed at propping up

Taiwan's feeble economy.
The weighted index gained 112.80 to 5.822.98 with construction and financial shares the best performers. BANGKOK reversed early gains to close 2.1 per cent

lower amid selling by retail

investors and weakness in finance issues. The SET weighed on the market after it announced a recapitalisamarket perception gap changes in Malaysia's capi- istered capital from Bt40bn 2,188.45.

tal controls. Blue chips were to Bt70bn. The stock ended in the thick of the action. Bt0.75 lower at Bt14.75. Krung Thai Bank lost Bt0.50 to Bt14 and Bangkok Bank Bt0.50 to Bt43.

The composite index fell 32.70 to 526.10 in beavy vol-

Brokers said investor sentiment soured towards the close after the country's financial watchdog said it would punish affiliates of the nation's top 30 conglomaccept client's stocks as col- erates that failed to clear cross debt payment guarantees according to schedule AUCKLAND fell as inves-

Siam Commercial Bank rate, was not in response to The NZSE-40 capital index highlighting an increasing nity following last week's tion that would raise its reg-finished 23.47 lower at

SEOUL saw early gains wiped out as futures-linked sales emerged in late trading. The composite index finished 6.001 or 1.1 per cent lower at 545.38, off a high of 558.88, which reflected expectations of an upgrade of the country's rating by Moody's.

tors were caught napping after the Reserve Bank announced it would adopt a formal cash rate as its primary tool for the implementation of monetary policy. The central bank was at

pains to point out that the shift to a new monetary policy regime, which subordinates the significance of the Monetary Conditions index in favour of an official cash current market conditions.

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THE BUSINESS OF TRAVEL

Quarterly review

Millennium menu is simmering

London is gearing up fast for tum-of-year celebrations. But 2000 may not necessarily bring a business boom, says Ken Gofton

London is now being actively could be a weakness in the future. promoted as Millennium City by its tourist board and convention bureau, and even its competitors reluctantly admit that, because of its connections with the measurement of time, it has a strong case.

The fact that the Meridian line runs through Greenwich, an accident of history, is one of London's three trump cards. The second is the city's long history, making it attractive to professional associations wanting to return to their roots. Finally, there is the sheer amount of money being invested in new facilities.

"The Millennium Dome has taken a lot of flak, but at least it is evidence that London is doing something," says Rebecca Byrne, business development manager for the London Convention Bureau. The Dome, Greenwich's great inverted wok, will be available for corporate entertainment.

Also on the south side of the River Thames, the Tate Gallery's South Bank extension in a converted power station, and Vinopolis, a new and permanent homage to wine, will be in full swing by 2000. And, although it is already open, one should not overlook the appeal of the recentlycreated Globe Theatre to corporate audiences keen to commune with William Shakespeare, one of the icons of western culture, at the start of the new millennium.

To all of these attractions can he added a number of new or extended facilities, though, significantly, London does lack the very lare-scale facilities now being built in other cities, and this

The Palais des Congrès in Paris can seat 3,700 in one room, and Barcelona is planning to add fur-

ther large-capacity venues.

In London, the ExCeL conference and exhibition centre at the Royal Victoria Dock is costing £200m; additional conference and exhibition space at the Stakis London Metropole carries a £90m price tag, Earl's Court, Olympia, and the Business Design Centre in Islington are also investing in refurbishment and expansion.

"The totality of investment in and around the millennium, in tourism and leisure facilities, is about £6bn," says Ms Byrne's colleague, marketing director Sandra Elliott. "We are using that message, that there is lots to see that is new and different, to sell London well beyond the year 2000." As for assessing the demand for

millennium meetings, in London or elsewhere, it is a little early to say. Corporate clients are a stenificant part of the market, and they frequently work on conference lead times of a mere six to nine The other big source of business

is the international, professional convention sector, which operates in a completely different way. Their huge get-togethers, often involving thousands of delegates. take place on regular two, three or four-year cycles. Decisions on where they will meet are fre- its millennium clan gathering. quently taken five, or even 10, years ahead. This means that most of the conventions due to be held around 2000 are already "done deals" so far as the



booking of venues is concerned. Even so, the "millennium fac-

tor" may well have influenced the choice of destination. It did in the case of the American Bar Council, which is holding what it terms its London Sessions in the city for the first time since the mid-1980s. This convention, based on the Queen Elizabeth 2 Centre, will bring 11,000 US lawyers, plus partners, to town in July 2000.

Others heading for London include the International Advertising Association and the International Real Estate Federation. Not surprisingly, however, the World Burns Federation concluded it should be in Scotland for and has booked into Glasgow's Scottish Exhibition and Conference Centre (SECC).

general manager, says trade asso- being used as a theme for meet-

ciations and professional bodies ings, but is unlikely to have a which hold conventions have not been tempted to tamper with their "It can be the icing on the 2000 bookings enquiries were normal booking cycles because of

stavs in September... We have many more events still at a provisional stage, including enquiries from people who want to be here in 2001, I'm delighted to say. So we're not concerned about talk of an enormous peak in the year 2000, dropping into a bottomless pit in 2001."

Industry specialists seem to agree that on the corporate events side, too, the millennium makes a great story line, but is not, in itself, a reason to hold a conference. Bill Gosling, marketing and sales director for Greenalls Hotels Gill Price, the QE11 Centre's Vere chain, says it is already

ham centre's group marketing major impact on the frequency of

the millennium. If their meeting cake," notes Vanessa Cotton, received during the past 12 is normally held in September, it managing director of The Event months, for meetings of all sizes. Organisation Company, "but it is not the cake itself."

This may explain why there has been no abnormal rush so far to book vanues for corporate events. There is probably more anxiety, also about which way the economy will head as there is about a shortage of venues or rocketing

The International Convention Centre and National Exhibition Centre in Birmingham had such a good year in 1998 - the events it hosted included the G8 conference, the CBI conference, and the received a few enquiries for large and Leisure, which owns the De Eurovision Song Contest - that it corporate events, "but I don't see will be hard pushed to beat that a rush of millennium-related performance in millennium year.

in this review

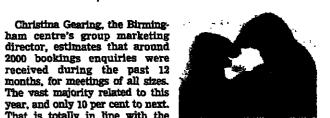
Companies cut their costs by pooling ticket purchases On-line: Options galore at the touch of a button Casa study: Ericsson



🛥 Planning an event; DIY; Atternative Roadshows: Diarv



 Gotting around;
 Guide to Australia, Canada, New Zealand, South Africa



Suggstions for taking time off while on a business trip Duty-free: Perks and

year, and only 10 per cent to next.

That is totally in line with the

spoken to yet is planning any-

thing special for the millennium

year, and when we ask them why

not, they look a bit bemused," she

director at the SECC in Glasgow,

believes there is still plenty of

time for companies to book events

for next year. The centre has

things at the moment".

Jenny Salsbury, conferences

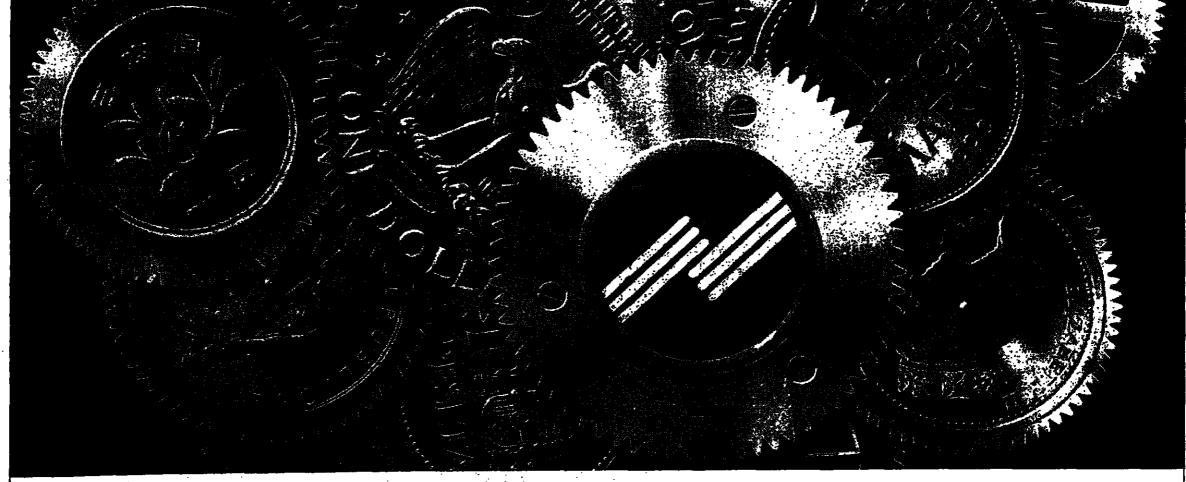
"No corporate client we have

normal pattern.

Travellers' tales: Tips and yams from busy

Design: Philip Hunt

FIERA MILANO makes for good business



Exhibition Calendar from January to May 1999:

XXXIV ESPOSIZI

CART '99 international Exhibition of stationery, paper and cardboard products, articles for school and fine arts.

international Exhibition of gift erticles, perfumery items, co jewellery, amobers' articles

international sportswear, sports 5-7 February MFLOR Intersectional Trade Show of cut-

reshold and Gift Kems

18-20 February SALONE BELLO STUDENTE & DEL School and training courses

23-26 February MODA Ri - teess

(data to be defined)

MELANOPHOPESSION Trade Fair of Publishing and Multimedia Support for Profe

"R" - SALTONE DEL LIBRO E DELLA COMMINICAZIONE RELIGIO "R" - Religious Book and Communication Show

10-12 Merch
PROMOTION EXPO
Exhibition of promotional objects

TAU EXPO 7th Internat

10-12 March Let SICURTECH EXPO Exhibition Forum of Technolog

WEAHOFL International Philately Exhibition 12-15 March PROTOSHOW

12-15 Herch EXPOSALISTE Exhibition of health and physical

Modern and Contemporary Art Fair

The food service research and

18-21 March 76° MEPEL International Leather Goods Extention

MIFUR Fur and Leather Exhibition

18-21 Harch

24-27 March

25-29 March EXPO FOOD 199

25-29 March

MONSE É

13-18 AmB 13th International Kitchen Furniture

13-12 April SALON

nternational Exhibition of Products

7:10 May MEDO **'88** international Optics, Optometry and

18-22 May Ethibition and Meeting on Management, Administratic

18-22 May

International Knowear and Clothing

DATES OF EXHIBITIONS MAY UNDERGO



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Danes go 'club' to buy their cut-price tickets

Airlines are finding they need a place at the negotiating table as a group of companies flexes its purchasing muscle

world unite! A consortium of 13 medium-sized Danish companies, which achieves impressive savings on its members' travel budgets, believes corporations in different countries could reduce their flight bills significantly by working

The reasoning offered by Danish Travel Pool (DTP) is always offer lower fares outside their domestic market, where dominance of the route network allows them to keep fares higher. If, say, a Canadian Travel Pool were formed, DTP would buy Air Canada and Canadian Airlines tickets on its behalf. CTP would reciprocate by purchasing SAS tickets on behalf of DTP.

Whether the airlines would agree to such blatant undermining of their home advantage is uncertain, but the track record of DTP within Denmark suggests its ideas are worth examining.

personnel and systems can

yield handsome savings for

corporate travel budgets.

telecommunications group,

Ericsson, the Swedish

In 1990 it had one

is a case in point.

CASE STUDY ERICSSON

Gentle persuasion

works wonders

Travel purchasers of the ing director, claims that its members, who together spend DKr60m annually on travel, achieve a 10 to 25 per cent greater reduction on air fares than if they were to buy as individual companies.
"Working together allows

us to negotiate very good agreements with airlines," says Mr Schodt. "You need to spend DKr500,000 with an airline before it will give you any sort of deal, and at least DKr1m to achieve a good one. We would not achieve those figures on most routes unless we acted together." Most DTP members have

heavy traffic on five to 10 routes which would secure them discounts in their own right. By acting together they are all entitled to discounts on 40 routes, which account for 90 per cent of their combined ticket

Enhanced buying power is by no means the only advantage of collaboration. The status of DTP as a joint-venture gives it the advantages

only one of its divisions.

class, and the average

4.2 per cent.

Most travellers flew business

discount achieved against

full published air fares was

By 1998 most of the

dles many of the functions normally assumed by a company's travel agency, including collection of purchasing data and negotiating with suppliers. Since DTP is a non-profit-making organisation it handles these func-

tions at a lower cost. DTP does use an agency, Dan Transport, for reservations and ticketing. These are functions which require licensing, bonding and lowgrade labour, and are therefore cheaper to outsource fully to a larger entity.

Mr Schodt says a Danish company would normally, soon found their way to the pay an agency 8 to 12 per cent of its annual travel expenditure to handle all its travel requirements. DTP members pay the consortium an annual fee of 2.6 to 3.7 per cent and a further 2 to 5 per cent to Dan Transport.

DTP also claims that its semi-internal status gives it better control over travellers. One of the greatest challenges for business travel agency staff is standing up to senior executives of client companies when they attempt to book a flight

company's travellers across

130 countries had switched

to economy class and the

average saving against full

fares was 40 per cent.

The lone part-timer,

Brigitte Ringdahl, has

gradually assumed full

arrangements, and she

The essence of Ms

policy - fly economy whenever practicable and

managers.

works with one other full-time and two part-time

Ringdahl's success was to

establish a simple two-part

book cheaper advance fares

- and persuade travellers to

Although companies in the

US find it easy to mandate

control of the group's travel

well as an outsourced ser- more difficult to reserve that vice. The consortium han- forbidden business class seat when policy is being guarded by DTP, which can say it is following in-house regulations. DTP's efforts to be both

internal department and external provider have not gone entirely smoothly. There was initially strong resistance from airlines, which were reluctant to recognise the consortium as a single entity worthy of deeper discounts. But once a couple of carriers were won over, and DTP's sustained ability to deliver business to them was recognised, rivals negotiating table.

The consortium has even achieved by nullifying the but DTP has made modest

of every three it attempts to make with SAS using mile-

The other disadvantage of depriving travellers of their frequent-flyer points is the threat to their morale. One DTP member staved off revolt by creating its own loyalty programme, with travellers rewarded for every 10 flights they make, irrespective of the airline used.

Forthcoming ideas being investigated by DTP, in collaboration with Danish travel technology company Business Travel Consult, include introducing selfbooking systems with extranet connections to suppliers. These direct links could reduce travel agency costs further and bypass the large, expensive computer reservations systems which distribute fares from airlines to progress. It claims to place

ON-LINE RESERVATIONS by Amon Cohen

Options galore at the touch of a button

The computer chooses between the standard and negotiated fares to offer the lowest available price

Much fuss has been made the company (an extra) \$70 recently about the miracles of automated booking systems which allow business travellers to make reservations from their desktop or laptop computers.

In reality, few companies have adopted such systems. Reasons for their reluctance include the preoccupation of departments with pressing issues such as introduction of the euro and Year 2000 compliance

The US has far more users of self-booking tools than any other country, but even there only 20 per cent of corporations have un on-line reservations system. according to a survey for Business Travel News. A mere 5 per cent of travellers use the technology instead of telephoning their travel

One exception to this is the Dallas semiconductor manufacturer Texas Instruments, which spends \$50m annually worldwide on travel and has 8,700 travellers in the US alone. It introduced TravelChoice, a customised version of a self-booking system made by Internet Travel Network in the US in 1997 and will extend it to the UK, France and Germany later

The system is already bearing results. Travel customer services manager Melissa Lopez says 15 to 20 per cent of the company's travel originating in the US is now booked through Travel-Choice, a figure she expects to rise to 40 per cent for domestic travel by the end of

This will make a crucial difference. TI predicts investment in the technology will start to bring savings once usage hits 25 per cent.

this year.

savings in two ways. The first is that the average ticket price falls. As well as featuring standard fares published by the scheduled airlines. Ti has built in specially negotiated discount fares with these carriers.

to \$100," says Ms Lopez. The other source of savings is a reduction in

travel agency fees. There is still human intervention in Ti's agency American Express checks every electronic booking for accuracy and policy compliance, but

Ms Lopez says Amex person-

nel can handle at least twice as many electronic bookings as those made by telephone A frequent criticism of self-booking systems is that although they reduce travel agency manpower they increase the time spent by highly paid employees on

making travel arrangeme Not so, says Ms Lopez. It is often the traveller's assistants who make the booking, but in any case reservations are extremely rapid. The bulk of TI's air journeys are simple thereand-back-itineraries such as

Dallas-Houston. Travellers who fly these routes tend to use them repeatedly, and Travel-Choice offers a feature which allows bookers to call up and amend earlier reservations.

"It is pointless to tie up a travel agent's time for that sort of booking," says Ms Lopez, "Repeat itineraries, including hotel and car hire. can take as little as two minutes.

The bulk of reservations made through TravelChoice are for simple domestic flights, but several travellers have also organised complex overseas itineraries through the system.

Ms Lopez says early adopters have found there are several other advantages besides cost savings. "They like the 24-hour accessibility of the system plus the ability Using self-booking creates to view all the options and to choose their seat and meal preferences." she says.

"TravelChoice also gives our travellers directions from the airport to their hotel.

She says self-booking systems will only work if communicated to manage ment, who can then prosed tise the cause to employ Companies must also be trenared to invest in training



dinavian market even more firmly than most national carriers. Mr Schodt claims a high success rate in buying away from SAS - 90 per cent of its business on the Copenhagen-Stockholm route, for instance, is placed with Finnair, which has a hub in the Swedish capital. Much of the success is

directly to a sales

traveller to rebook.

engendering competition

between them to find the

keenest fares and provide

the most efficient service.

gather consistent spending

Information for negotiating

travel spending through

cards, and Ms Rinodahi

comprehensive.

agents in January.

in Sweden alone,

the latest cuts have

hasty restructuring.

commission rebate.

Ms Ringdahl hopes the message that booking in

advance and avoiding

without resorting to

must be signed by managers.'

However, dissuading

Swedish travellers from using SAS, whose

compulsion.

"It will be

low-commission airlines

on budget-holders, again

saves money will not be lost

self-explanatory," she says.

This is what we pay the

airline, this is what we are

charged by the agent and this is what we get back in commission. All invoices

eirport.

finds the data provided by

with suppliers. However, all

American Express comprate

consolidate to just one

agency to ensure they

power of the attractive SAS secured some bulk purchases, where it pays cash in frequent-flyer programme, which is many travellers' advance for an agreed nummain motive for avoiding ber of tickets that are sold preferred carriers. All mileon internally when members age earned on corporate require them. Travel management experts predict that travel has to be passed on to DTP, which attempts to use this assumption of risk will become a common purchas-ing method over the next it to book more business flights. This is easier said five years but at present few than done - frequent-flyer have achieved it. American points can often only be Express in the US being an redeemed for off-peak flights during off-peak hours -

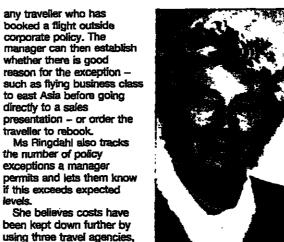
DTP also has to grapple with SAS, the airline that

policy to employees, issuing absolute edicts to semi-autonomous budget-holders is not within the philosophy of Ericsson or many other European

Ms Ringdahi's task has, therefore, largely been one of public relations, partly disseminated through a steering group of Ericsson

She demonstrates to budget-holders how they can reduce costs by following policy and flying negotiated special deals with

She also provides them with pre-trip information which alerts managers to



Brigitte Ringdahl: her PR

Occasional upgrades to husiness class have been have agreed to let Ericsson employees use their airport

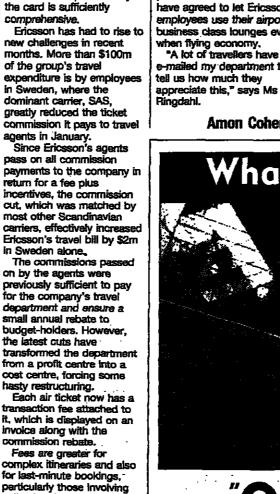


particularly potent in a country with high rates of personal taxation, is not esy. Ms Ringdahi has, therefore, negotiated added airlines.

promised and two carriers business class lounces even when flying economy.

e-mailed my department to appreciate this," says Ms

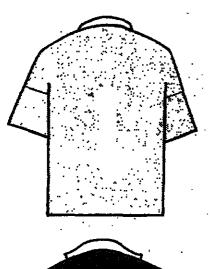
Amon Cohen



particularly those involving collecting the ticket at the Displaying the commission rebate also demonstrates forcefully that flying with airlines offering low commission levels is more expensive than with those offering higher rates.



Think









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PORTMAN in a league of our own"



From size of room to time-keeping, a string of potential disasters awaits the conference organiser. Some find it best to call in a team of experienced specialist planners

In order to plan the perfect • Coffee breaks are so deter potential guest speak. Express Europe, cites best to envisage the opposite an event at which some or all of the essential ingredients are disastrously

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ME PLAN

ATTOMS BY ALL THE CONTROL

• The meeting room is so badly soundproofed that the rock group rehearsing in the ballroom next door drowns the speakers;

 The temperature is never right - and every time you want to raise or cool it you have to track down a member of the hotel staff; • The hotel made no mention of pillars, which prevent half the delegates seeing the other half and have the

andio visual team complain-

ing they cannot do their job break-out sessions, for example, and the plug-in variety which is on offer has a lead too short to reach members

of the discussion panel:

in thus

The Per

gates are forever late return- delays. ing to the sessions - and what the managing director had in mind was an intense brainstorming session for key staff, but that white. sandy beach outside keeps luring them away.

Happily there are now teams of conference specialists around the world whose living depends on steering clients clear of such pitfalls. Knowing the destination and its facilities is only half their job; matching that destination to the client's needs is equally important. Considerations range from

the practical to the psychological. Are delegates flying in from different countries? properly; in from different countries?

There are no remote if so, are there enough nonmicrophones available at stop international air links to get them all there close toregistration time and with minimum hassle. Apart from wasting delegates' time, too many changes of aircraft can division at American

conference it is probably badly organised that dele- ers and exacerbate flight another reason why a wide

accident and emergency

Niall Mackin, head of the

choice of flights can be "No matter how grand or important; "A big issue is exciting a venue is, if it is insurance. Company policies hard to get to, the meeting will start off with people may restrict the number of employees allowed to travel feeling irritable," says Sarah on the same aircraft. If that Webster executive director is the case there may not be of the UK's incentive Travel enough flights to get everyand Meetings Association. body to the conference "To be successful, a condirectly."

Do you need to make a site ference needs to be treated as a military operation. The visit? A recent report from job of organisers is to head off any potential hitch. They management consultants Pannel Kerr Forster suggests need to know whether there organisers should not rely will be vehicle access to a on hoteliers to tell the whole conference centre at 4am, so truth. It quotes as a "classic example" a floor plan "that does not include the pillar that they can set up for a meeting which starts at 9am. And in case anyone should that sits right in the middle suffer a mishap they need to of the room, blocking some know in advance how to get delegates' view." hold of consulates - and the The report also noted the

"amazing" failure of hotels and other venues to provide comfortable chairs, and emphasised the importance conference and incentive of being able to control lighting and temperature from CAN'T HEAR YOU SANDERS WAS THAT TESTING TESTING ...?

is a leisure programme

inside the meeting room, without having to call hotel

It could be better to take audio visual and computer equipment with you to meetings overseas. Andrew Winterburn, director of World Event Management, says taking it from the UK can be rent. significantly more cost effective than hiring in Mediterranean countries, particu-larly if you need to replace software in Spanish, for example, with its English

and what kind of delegates gates to eat in small parties

equivalent.

will it attract? Executives in various restaurants, has become popular, but some bent only on work may by more reluctant to spend long groups prefer to stick hours in aircraft to attend a short conference, but if there

are going – distance and jetlag may be less of a deter-A part conference, part incentive meeting of sales representatives might spark more enthusiasm in vibrant cities such as Amsterdam or Barcelona than in Madeira, for example. The "dine What sort of meeting is it around", which allows dele-

What image do the organisers want to promote? Carole Thornton, manager of Convex International Events, which finds venues for the worldwide pharmaceutical industry, says: "There is a lot of pressure on pharmaceutical companies inviting doctors to conferglamorous an image. We have planned a meeting for 850 international delegates

Paris. But the venue is not being advertised as such in the literature being sent out iust the conference centre

And how should you shape the programme to ensure maximum attendance - and keep participants awake in the afternoons? An intriguing idea used by the moderator of one conference on the Cote d'Azur was to wake snoozing delegates and present them with a free bottle

"The industry has learned a lot in recent years," says Andrew Winterburn. "We use inter-active voting, for example, set up workshops and soapbox forums. We try not to keep people sitting in the same place for the whole time."

Lastly, there is timekeeping. Experienced organisers know the importance of cracking down on speakers or building in some slack to allow them to over-run.

Too much leeway could lead to the sort of embarrassment suffered by the Association of British Travel Agents at its recent convention in Spain. UK competition and consumers affairs minister Kim Howells should have given a key address, but prelong. So, with rueful organisers claiming they were unaware his timetable was so tight, the minister was forced to abandon his speech

SMALLER FUNCTIONS by Ken Gofton

Do-it-yourself may be ideal solution

Some meetings and exhibitions can easily be entrusted to one employee - but remember that they will need adequate time

everything from international conventions with thousands of delegates halls; at the other it takes in sales meetings and small exhibitions staged by individual companies for their hand-picked customers.

The bigger the event, the more complex the logistics,

Conferences and exhibitions and the greater the need to extreme it embraces same token, some events are so small and routine that companies feel quite confiand trade shows filling arrangements, whether or purpose-built exhibition not they employ their own specialist staff.

Clearly, there is a cut-off point, below which the budgets do not justify calling in sional help, and would not be attractive to consul-

Establishing where that is a broad term. At one involve professionals. By the figure lies is difficult to fix precisely, although it may be lower than many clients suspect. For instance, if finding dent about making their own an attractive and appropriate location is an issue. there are many sourcing agencies able to provide a short-list of suitable sites at the drop of a hat. They earn their living from commis

> no charge to the client. "It is alright to leave it to

the managing director's PA for small meetings," says Martin Sirk, sales and marketing director for conferences and events at the Stakis London Metropole, which is currently investing 290m in an expansion of its meetings and exhibition facilities. "The problems arise as soon as there are any complications, and the PAs find they haven't the time to do two jobs.

"It is also the case that inexperienced people will not know what questions to ask. Hotels specialising in conferences and meetings a confidential message to ought to be able to guide them through all the hoops, but others may not be able

Some companies, on the other hand, organise quite ambitious events for themselves. One such is The Con-

tinuity Company, which specialises in promoting customer lovalty schemes internationally. Over the last few years it has staged a series of exhibitions and seminars in London, Hong Kong, Australia and Amsterdam. In late April it returns to London, with a three-day event at the Renaissance Hotel. Heathrow.

sons why a company may want to stage its own exhibition. The first is that it can choose who it invites to attend. In particular, if it has communicate, it can exclude competitors. Secondly, it can be sure of the undivided attention of visitors, who might be tempted to wander off to a rival stand at a con-

ventional trade show. Single company exhibi-

tandem with a seminar. "No-one wants to think they are being invited along just to sign a purchase order," says tor at London's QE 2 Conference Centre. Vanessa Cotton, managing director of The Event Organisation Company, adds: "A private exhibition needs something else, something more vision

ary, to convey the idea that

it is a learning opportunity and not just a hard sell." Brendan Smith, market support manager for The Continuity Company, agrees, This mirrors our thinking exactly," he says. "We began in a very small way, with just a couple of rooms in a showcase of loyalty scheme

"It makes it much more

attractive to senior delegates if they can attend a free seminar, with top-level speakers, that might otherwise have cost them £1,000." Mr Smith argues that a great deal of the work involved in organising conferences and exhibitions is commonsense. His company took the DIY route initially because of limited budgets, but much can be learned from attending a few exhibitions and thinking

"Fortunately, the mistakes we made were not too bad, and we learned from them," Mr Smith adds. "These were things like not trying to Heathrow hotel to stage a cram too much into the space, so that people feel developments. By the time comfortable and have room we staged a show in Austra- to move. Probably the most may go wrong.

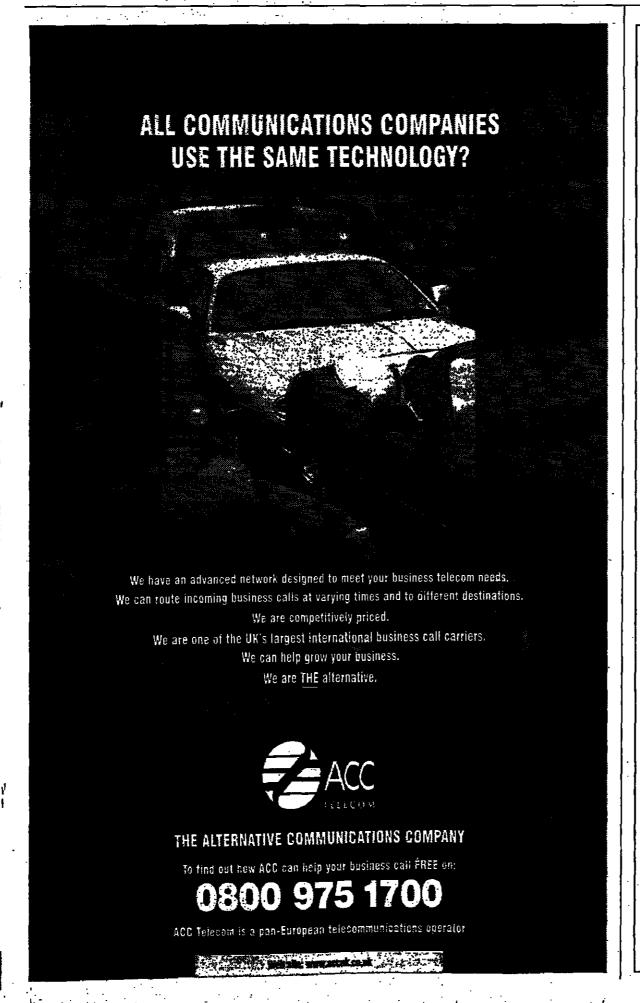
about how they are run, he

important lesson was to build a database, so that you can follow up the contacts after the event.

The experts do not neces sarily disagree with this approach. Ms Cotton accepts that a lot of the work involved in organising events is straightforward. But there are two reasons, she says, for going to exter-

There is a question of resource. Arranging a major event creates a surge of work, and if it involves dealing in multiple languages and currencies, the client company may well not bave the skills or the time to deal with them themselves

Attention to detail is another factor, and often only the experienced specialist will spot where things



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THE BUSINESS DESIGN CENTRE LONDON

FINANCIAL TIMES

Exhibitors must consider basic questions

Clear objectives are essential for companies showing their goods - and for the serious visitor

Exhibitions range from cal and marketing advances, intense environment." vast hangar-like structures containing many hundreds of stands. But it all adds up to an industry which in the UK is worth £849m a year, according to figures from the Exhibition Research Group.

double-digit increases in the number of exhibitions held in the UK over the past few years. In 1997, some 841 exhibitions were staged, according to the research group. Court exhibition centre, and 52 of these were in venues covering more than

That growth has been accompanied by technologi- tions tend to be a very

one-company such as website catalogues wonder that the ever-changing industry can appear bewildering to both exhibitors and visitors.

on the burden.

Hugh Scrimgeour, chairsays: "It is very important to plan your participation, whether as an exhibitor or a

Sara Fleming, of Event the show," he says. "Some- gated to a junior member of promotions to big events in and add-on incentives. No Organisation, the event mar-times it's just because keting and managing company, would prefer clients wanting to set up a stand at an exhibition to contact her Some companies rely so at the very start of the much on promoting their thinking process. "The less Industry brand or products at exhibithat they've done the bettions that they have set up ter," she says. In that way The growth of the sector in-house departments to she seeks to fine-tune from Fleming. has been rapid, with organise and co-ordinate the start what the exhibitor nal agencies do exist to take event. For example, some companies seek an exhibition stand specifically to proman of London's Earl's mote a new product, while ence to establish, renew or cement relations.

Steve Hill, of Academy visitor, in advance. Exhibi- Expo, the corporate event people to the task. Too often to Mr Scrimgsour. "Add-ons the job of liaising with an help to get to the highly agency, agrees. "First we ask

them why they're going to exhibition organiser is rele-

they've always done it." Once an exhibitor and a ing. "We prefer to work with planner work out a strategy senior people, perhaps at it is best for the client to boardroom level. They are used to making decisions and understand how to manleave the planning to the specialist agency, although

age suppliers."

ultimate decisions, says Ms inflict their limited expertise on the event. It's most frustrating if we're continually

clients will always have the

trying to justify ourselves." to be dropped." She says companies can help themselves smooth the process by assigning senior

staff. "It's a big responsibility for them," says Ms Flemincreasingly, use of audio-vi- their own stamina. sual displays.

ited to just the stand. Ms Fleming recommends consid-Mr Hill also stresses the ering hosting functions tors. "The internet has been are easily accessible within need to be clear-minded. "We related to the exhibition "Some clients can be try to become more specific where people can network in events, but specialist exter- hopes to gain from the tricky to please. The worst about what is needed at an a more relaxed atmosphere, cases are when they try to early stage otherwise we or setting up a VIP lounge may be committing a where visitors can retreat designer for a couple of from the frenzy.

weeks on a project that has Once a stand is mapped to get the most out of the not only about the show and out it is the extras that event. With some shows, the exhibitors but how to get attract attention, according such as World Travel Market there." in Earls Court, hosting more than 1,000 exhibitors, home- on by so many people," says

Add-one need not be lim-

crowd. Anything that you exhibitors may be they ringlence 10 or so pros-can do that gets you aband "umbrella" stands for sev-pecis." She also points to the of the average stand will eral smaller exhibitors, visit website as increasingly have a bigger impact," he tors need to study the exhi- invaluable for today's exhibisays. This may be as simple bition plan carefully to tion visitor. An exhibition as effective lighting or, maximise time as well as

even set up there is likely to be a wealth of information about the format and exhibiembraced by the industry." says Mr Scrimgeour. "It can in the form of cyber cafes. be useful in terms of taking out some of the hassle for the visitor, such as pre-booking and pre-registration, a parallel desire to make There is also much that Most shows will have a webvisitors to exhibitions can do site that will inform people.

"Visitors will be pounced

website is typically updated daily and will carry news Before the exhibition is flashes and product launches, as well as exhibitors' catalogues. Sumetimes these "virtual exhibitions" the exhibition venue itself,

bitions, both in size and number, there appears to be them more user-friendly for the visitor. Mr Fleming recommends clients sponsor a least that way a constant stream of thankful visitors is

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ALTERNATIVE VENUES by Elizabeth Robinson

Away from the bright lights

Big cities, with their varied facilities, attract many main events, but the regions may be worth considering to save on costs

Conference delegates have tions often have their headtraditionally swarmed to quarters, residential conferbright lights and big cities, ences move to the regions. but increasingly regional centres and even remote locations are attracting busi-

It is not just the lure of the countryside. The very fac- modation for those who do tors which make a capital city attractive for some conferences - urban location, large hotels and good communications - can be a turnoff for other organisers who seek out novel venues, intimate lodgings, and few dis-

Tony Rogers, executive ciation of Conference Destinations, says: "London's ences. You will get them if position is still very strong, 'you are efficient.' but there is flerce competition from other regions and other city destinations.

"Residential conferences are less likely to be London because of cost. Often the quality of facilities in the regions is better and

According to a survey of overseas conference visitors built conference centre, the to the UK, published by the Queen Elizabeth II. has a Office of National Statistics in 1997, London attracted 56 per cent of overseas delegates and 79 per cent of their

Niall Mackin, American Express director of sales and you have to try harder to get

on price and service." organiser is cost, regional

capital city, where associa- advantage of that."

This keeps members around the country happier by bringing the conference er to some while providing relatively cheap accom-

have to travel.

Even corporate conferences can be lured out of the city. Bill Richards of the Exhibition Industry Research Group, says: "The corporate market looks more for efficiency rather than location. It will go anywhere in the country. Because you director of the British Asso- are a hotel on a moor doesn't mean you won't get confer-

> Last year London was knocked from the top spot for corporate conferences in the UK by central England. according to the British and even a 40-person confer-Association of Conference Destinations.

Big cities do not necessarily offer big venues. London's only large purposemaximum capacity of 1,500. compared with Edinburgh's International Conference Centre and Birmingham's which can hold up to 4.000 delegates and offer break-out

another factor in the If the bottom line for an regions' favour - availabilvenues are very attractive. months in certain capitals This is especially true for are guaranteed to be full. Vancouver. associations, where members The availability of those conattending conferences are ference venues has become increasingly difficult in the While one-day confer- run-up to the new millen-



Regional interest: The Royal Pavillon at Brighton, built by the Prince Regent, later to become King

Quieter locations may also be more conducive for intensive meetings. Frank Mullen. director of the Scottish Convention Bureau, promotes venues all over Scotland. from international centres to small country house hotels ence suite within the Glenturret distillery. "If someone wants to have a brainstormer or a retreat or an incentive, in addition to having the facility require-

ments. Scotland is a very

special place, he says." Mr Mackin says conference organisers often have to "think outside the box". National Exhibition Centre He recently organised an event in Vancouver for an international client. "The clihead of conferences, says: "If facilities such as meeting ent wanted to host a multirooms and exhibition space. national event for people Cities are busy places, too. coming from all over the the business - that's done Mr Mackin pinpoints world and had suggested New York and Toronto, I felt that the most cost-effective ity. "Very often certain and logistically perfect venue for this event was

"When we bought all the hotel accommodation we were buying five-star properties at three-star prices. It we ended up with a superb

criteria and more." Increasingly conferences are combined with an incentive element. Venues in Scotland, for example, can offer fishing and falconry as well as golf. Elsewhere in Europe, national conferences. Edin-Mr Mackin says Spain's sherry region has successfully promoted itself for the conference market. "Jerez de ia Frontera has all those fabulous reasons for being in Spain as well as the conference facilities," he says.

The building and siting of large national conference venues is often very political. Developing nations may seek to attract international meetings, and build worldclass facilities to host them. Malaysia has this year hosted trade ministers of the Asia-Pacific Economic popularity, only to cade to Co-operation Forum in the next up-and-coming Kuching as well as attracting the 1998 Apec meeting to Kuala Lumpur

Mr Richards says that despite attracting high-profile international events, such buildings do not make a return on capital and are basically a political investences may be held in the nium. Regions have taken offered incredible value and ment. "Most governments tral Europe, with Prague in

event that suited the client's cities as where they want to attract everything and then

move to the regions for catalytic growth," he says. If a region has a particular industry or expertise it is more likely to attract interburgh's medical and scientific background means it regularly plays host to specialists from around the world, while Scotland's expertise in financial services gives it a strong corporate base to attract international companies that also

operate in that sector. Ultimately the regional venues will attract organisers looking for something different, but this may make them susceptible to the cycles of fashion. Mr Mackin

ticket for a few years," he says. "The likes of Dublin has also been successful, but there's a cycle where conferences go." He says conference organisers in the know are currently looking at cenwill start off with capital particular opening up.

MARCH scotland hospitality industry congress RAes airworthiness review Turkish energy conference Refrigeration and air conditioning exhibition Meetings and events exhibition ical technology exhib Internet World Asia Nomen and techn ology conference. Home delivery conference international derivatives exhib Reputation management conference Safety and health at work exhibition Mar 9-11 Mar 9-11 Software automation trade tair Kortriik (Bei Mar 11 Mar 11-12 Reviewing strategy for the euro, conference international motor show Franchise exhibition Lahti (Finland) Marine insurance conference Mar 15-19 Mar 16-17 Capital adequacy in central & eastern Europe Mar 16-18 Mar 16-19 Legal offices and services exhibition inti healthcars exhibition Mar 16-19 Mar 16-19 International minino and exploration exhibition European business information conference Energy, safety and handling exhibit Asian call centres exhibition Medical congress and exhibiti Pensions conference and exhibition Outsourcing conference nchising and commercial networks exhib world pharmacauticals conference Paris Handling equipment and logistics exhibi Paris Midlands manufacturing exhibition Mar 24-25 Mar 24-25 British trade travel fair Mar 24-26 Pension funds investment conference international travel and tourism exhib Mer 25 ISBA policy conterence Mar 25-26 ent coportunities in Italy. Intix conference & exhibition Electrical retailing show Mar 29-1 international torism festival Apr 13-15 Apr 13-16 Apr 13-16

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Event organisers submitting information for consideration in forthcoming issues should write to:

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ROADSHOWS by Ken Gofton

Taking the goods to the people

Putting consumer products on show in, say, supermarket car parks can be an effective way of attracting attention

autumn's launch of digital lite against another trans-TV in the UK, rival broadcasters Sky and ONdigital ing could be counted upon to stores, but before that hap-pened there were just a few shows. The formats differed. stores, but before that hapwhich to enthuse the retail- country with a speciallyers and ensure they under- modified articulated truck, stood the new technology.

is a switch from selling hard- nology face-to-face. ware to software: instead of lauding the merits of one tablished marketing activity. their agencies, EMS and another, sales staff are sell- estimates of how much is sportswear manufacturer sages are handed out to coning one package of pro- spent in the area. They usu- Nike created Nike Park as a

mitted terrestrially. their intensive retail educa- current interest Digital TV represents a number of hotel venues. shows are frequently outrevolution for retailers as Both tours, however, were well as viewers. In a sense it designed to explain the tech- marketing agencies. The Sky

Roadshows are a well-es-

gramme, or both.

There are two core concepts. The first is that if the French provincial cities so In the build-up to last grammes delivered by satel- customer will not come to you, you must go to the customer. The second is that In the event, both Sky and face-to-face communication faced a dilemma. Advertis- ONdigital chose to start is extremely powerful. The drive consumers into the tion programmes with a one-to-one marketing and "experiencing the brand" help explain why roadshows short months available in with Sky travelling the appear to be enjoying a

> while its rival booked into a stand to be staffed, roadsourced to specialist field

Where there is a mobile and ONdigital tours, for instance, were organised by

tion stand, or a seminar pro- Paris to coincide with last year's World Cup, it dispatched a roadshow to they would not feel ignored.

Called the Tour de Foot, and employing 12 Land-Rovers, 10 trailers, and 16 Mini cars painted in the colours of various international football sides, it was organised by agency CPM Mobile Marketing. The roadshow, in two teams, visited 70 locations over six weeks, taking a mix of interactive games, skill training and five-a-side football to a young audience.

More prosaic, but no less effective, the same company has toured UK supermarket car parks for the past two years with a Walls' sausage sumers, together with mon-

THE WORLD'S MOST COMFORTABLE BUSINESS CLASS FLIES TO SYDNEY. DAILY.

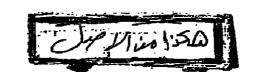
which can be as high as 850 per cent in some cases, persists for some weeks after the visit. But this figure illustrates both the strengths and weaknesses of roadshows: the impact may be considerable, but only on the

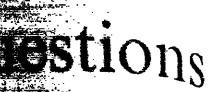
audience that encounters it.

Thus, supermarket car

parks may ideal for Walls. but not for every company. Whisky producer John Dewar claims to be pleased with the first-year results of with a mini distillery, it has taken to Portugal and Spain to promote its William Lawson brand. In the coming season, however, it will focus less on supermarkets: black or brown box versus even if there are no accurate FMCG. Similarly, when the trailer. Freshly-fried sau- and more on the bigger audiences to be found at festivals

Snuggle Down Under.





PUSTOAN I II.

A Nation That Thrives On Change

From exotic trading port to colonial outpost, from a fledgling nation to an Asian tiger economy dealing with all the problems an unwelcome recession brings, Malaysia appears to thrive on change and challenge.

ast September when Her Majesty Queen Elizabeth II closed the 16th Commonwealth Games in Malaysia in traditional fashion, it was hard to believe that the host country was going through one of the most turbulent times in its recent history. Universally praised as one of the most spectacular and impressive Commonwealth Games ever, with facilities, organisation and atmosphere worthy of an Olympics, the impact of the Asian financial crisis and the regional recession that has followed in its wake was left outside the superb. 100,000-capacity, newly-built main stadium in capital Kuala Lumpur. And the Malaysians welcomed the world in traditional style: with a large smile.

flocked here to realise their ambitions. The fabulous architecture and elaborately-carved; stucco-fronted mansions which can be seen newly restored in the historical port cities of Penang, Kuching and Melaka are testa-Malaysian entrepreneurs, the edectic style a visual example of the diversity of Malaysia's ethnic and cultural mix.

But it wasn't only Malaysia's ports that attracted attention. The country boasts massive resources. Blessed with a natural beauty as diverse as her people, Malaysia's terrain includes untamed and uncharted virgin tropical rainforest, gentie beaches so safe that turtles lay their eggs on their Malaysia has long been famous sandy slopes, as well as the highlands

tune-seekers from far and wide flourishing export category which earned US\$2.3 billion in 1994.

The emergence of Malaysia as a manufacturing nation over the past 20 years has been dramatic. Here, Malaysia's deeply-rooted entrepreneurial spirit - which had led to the ment to the success of these early establishment of thousands of small flourishing businesses - provided a natural base for industrialisation. Coupled with a sound and stable government possessing a pro-business ethos, a traditional commitment to education and training, a strong corporate culture, and a legal and banking system inherited from the former British administration, Malaysia quickly found itself on the fast-track to economic success.

> From 1988 to 1996, the economy grew at an average rate of 8 per cent per annum, making it one of the fastest growing in the Asia-Pacific region. (Average economic growth for the region in 1994 was 3.2 per cent.) In 1996 it ranked as the world's 17th largest trading nation with exports at US\$76.7 billion. Manufactured prodof Malaysia's exports and the country goods in industries that hadn't existed a decade earlier:

In 1970, gross domestic product 1995, per capita GNP had grown to US\$3,890 and Malaysia's population Malaysia's vision and its of around 20 million were beginning confidence in the future. to enjoy the fruits of their labour. Home ownership was on the rise with residential estates appearing all viding the infrastructure over the peninsula. Shopping malls Malaysia needs to achieve stacked with the latest consumer Vision 2020 to help it bethelped Malaysians fill their new homes - the country has one of the highest levels of home computer penetration in Asia.

Malaysia was fast leaving its Third World tag behind and it came as no surprise when the government announced its plan to achieve fullydeveloped nation status in the year an economic goal for Malaysia.

jects of the 1990s are playing a major Highway which opened in 1994 meant that for the first time you





Malaysian peninsula - from Singapore to Thailand - on a world class freeway. It was the crucial first step to enable southeast Asians to zip around their continent by road, a fact long taken for granted in Europe and the US. The new Light Rail Transit system in Ki, now allows you to zip around that ing banks. busy city and last year the Kuala Lumpur International Airport opened giving Malaysia a much needed world class hub facility. It is capable of han-

> The Kuala Lumpur City Center project is one of the world's largest real estate developments Petronas Twin Towers which, at over 450 metres

famous ports of the Orient



cent and unemployment is falling

from a high last September. Exports

increased 2 per cent in US dollar

terms in October from a decline of

recovery and this has to be handled

carefully," says Dr Sulaiman Mahbob,

Secretariat head of the National

Economic Action Council, formed to

steer the country through the crisis.

big role. The country has not been

3-14 February

11-26 September

April-August

19 September

18-21 November

2-31 October

17 October

30 November-

5 December

4-11 July

Here Malaysan unity will play a

"We are at a very fragile stage of

18 per cent in August.

a state-of-the-art concert hall, KLCC economy has bottomed out and capital It's also a clear symbol of in 1999 range from 1.2 to 2 per

These far-reaching and ambitious projects are prohigher value manufacturing, to diversify and compete with its neighbours and not get left behind in the age of information. Leading the way into the next millenni-

um is the government's Multimedia Super Corridor which is regarded as the country's next engine for ecpnomic growth. Over 130 companies have already invested in Cyberjaya, a haven for multimedia companies on

With initiatives such as these, Malaysia's Prime Minister Dr Mahathir Mohamad firmly believes that the country is still on track to achieve Vision 2020, despite the impact of the Asian financial crisis which sent shock waves around the region and the world. Beginning in Thailand in 1997, a crisis of confidence saw short-term investors take flight right across the region, destabilising currencies and bringing even sound economies almost to their knees. If what caused the financial crisis aroused debate amongst the world's economists, bankers and politicians, how to get Asia back on its feet has provoked even more discussion and diverse opinions.

Malaysia did what it has done for most of its history: it went its own way. Last September, Malaysia took the brave and drastic step of implementing its own formula for recovery. In brief, interest rates were reduced to boost expenditure (down to around 8 per cent from as high as 21 per cent), debt restructuring began through the setting up of a Corporate Debt Restructuring Committee and the government set about recapitalis-

was made untradeable overseas with all ringgit held outside Malaysia being portfolio investment must remain in the country for at least one year. The aim was to insulate and protect the government and the private sector chance to restructure and recover.

Some critics of Malaysia's bold move are now praising it, others are holding their fire and adopting a

high, are the world's tallest skystrap- wait-and-see attitude. Clearly, like rocked by the violent demonstraers. Housing a sophisticated mix of much of Asia, Malaysia's boom is tions and unpredictable social upucts accounted for almost 80 per cent office space, shops, entertainment over for the short term. The country heaval that still dominate life in complexes and landscaped gardens is in recession - last year the econo- Indonesia. In comparison, Malaysia was fast and expertly producing as well as being home to the my contracted 6.3 per cent - but has weathered the storm relatively Malaysian Philharmonic Orchestra in there are many indicators that the unscathed The response of athletes. is a monumental gateway to the things are starting to improve, ing media in their assessment of per head stood at US\$350. By new commercial heart of Malaysia's Current estimates for GDP growth the Commonwealth Games last September is a truer indication of the

> state of the nation. No-one stayed away and all who were there had nothing but praise for "The Friendly Games" and the proud Malaysians who provided a world class welcome

CALENDAR OF EVENTS 1999

Flora Fest

Malaysia Fest

Le Tour de Langkawi

World Amateur Inter-team

Golf Championship

Running Trophy

Shopping Carnival

Formula One

15th World Mountain

1999 World Cup Golf

Malaysia World Grand Prix

Langkawi International

Exhibition (LIMA)

Maritime And Aerospace

This year international sports fans can look forward to World Cup Golf from November 18-21 and in October Malaysia will host its first Formula One championship on a track

that has been touted as the best in the world. By then, we may well see another face of Malaysia, leaner and meaner and back on its own fast track to developed-nation status.

This advertorial was created by the Malaysia Tourism Promotion Board.

* Economic and financial data supplied by the National Economic Action Council Malaysia.



try's common greeting Selamat Datang. which means welcome in Malay. Multiculturalism and multi-racialism are key to Malaysia's charm, its success and its ability to adapt to change and rise to a challenge. On paper, this is a young nation. A former British colony it became a federated constitutional monarchy with a bicameral legislature after independence in 1957. Since then Malaysians

have pulled together and worked

hard to create a modern country.

that well deserves its status as an

Asian Tiger In reality however, this ethnically diverse group of southeast Asians have been living harmoniously together, and trading regionally and internationally, for centuries its prime geographical position, just north of the equator at a natural crossroads en route from China and the Spice Islands to Europe, made it

the perfect conduit for east-west. trade as far back as the 15th century. The dynamic ports of the Straits of Malacca and the northwest shore of Borneo (part of which now forms East Malaysia) were bustling commercial centres where the exotic riches of the east were traded. Entrepreneurs and for-

was founded on the back of tin mines started by Chinese entrepreneurs in the middle of the 19th century. Extensive plantations that dominate the landscape of southern peninsular Malaysia and parts of Sarawak provide rubber, palm oil and timber. As a result, the early Malaysian economy was commodity-based with manufacturing making up less than 12

per cent of exports in 1970. Recognising that natural sources are assets that need to be conserved, Malaysia's look-ahead government launched programmes to make primary industries move upstream and downstream to create higher value exports. The Malaysian Timber Council, for example, now manufactures furniture selling in

Europe and US and has created a ding 25 million passengers a year and a million tonnes of cargo.





The Malaysian ringgit was pegged to the US\$ at RM3.80 to US\$1, and it repatriated by October 1. The government also dedared that foreign economy from currency and stockand includes the famous . market speculators whilst giving the

ind out how Malaysia is nestructuring its economy. National Economic Action Council indiatives · A review of Malaysia's recession busting tactics

MALAYSIA TODAY PART 2

THE BUSINESS OF TRAVEL

Getting around

Financial Times correspondents guide travellers around four more countries, offering the first-time visitor and experienced globetrotter alike tips to make their journey a little smoother

AUSTRALIA by Lisa Murray and Gwen Robinson

Sydney, with a population of nearly 4m, is Australia's largest city and capital of New South Wales, the most populous state. The Olympic Games to be held in the city in September 2000 have driven rapid growth in new hotels, restaurants and infrastructure. Canberra, home to the national parliament, bureaucracy, and national institutions, is Australia's political nerve-centre, while Perth, the fastest growing of Australia's state capitals, is home to over three-quarters of Western Australia's entire population as well as most of the country's large resources

Required by all visitors except New Zealanders. Visas are issued by Australian embassies and consulates around the world.

Sydney is Australia's main gateway and is serviced by more than 45 international airlines, many offering non-stop and one-stop services from around the world. The leading Australian carrier is Qantas, which operates more than 170 inbound flights weekly. Perth is also well served by international carriers, but visitors to Canberra need to fly into Melbourne or Sydney, then take a domestic connection. Domestic airlines run frequent interstate flights and service a large number of regional and rural destinations. Private charter flights can be easily arranged.

Sydney's extensive public transport system includes ferries and a city and suburban rall and bus system as well as inner-city monorall and light rall. There is also a comprehensive network of private services such as chauffeured limousines, rental cars, taxis and for the more adventurous, water taxis. Limousine services cost upward of A\$45 per hour around the city and from A\$450 a day for chauffeur-driven trios outside the city. Canberra has an efficient bus system, plentiful taxis, and inexpensive car rental. Perth also has cheep and

reliable public transport - including buses, trains, taxi and ferry services.

Sydney offers a full range of accommodation, from budget lodges and motels to five-star hotels and resortstyle accommodations. International hotel chains such as Sheraton Hyatt, Regent, Holiday Inn. ANA, Nikko and Inter-continental operate first-class hotels around the city centre. The Observatory historic Rocks area offers

The Opera House, one of Sydney's most famous landmarks

accommodation with an "old world" touch. Rates at the top hotels range from about A\$250 a night upward for a standard room.

There is also a growing number of high-quality serviced spartments, and comfortable boundus hotels catering for business travellers. Cariberta has a wide range of accommodations. Of note are the Hyatt Hotel, a 1920s art deco-style five-star establishment located in the Parliamentary triangle, and the smaller Hotel Kurrajong, set in a heritage building in a quiet leafy suburb in the Parliamentary circle. Perth's city centre hotels include the Holiday inn Park Suites, Hyatt Regency, Parkroyal, Rydge's and the Shereton, all close to the central business district, as is the city's newest hotel, the Duxton.

Sydney's multicultural make-up provides the basis for a wide variety of restaurants offering a diverse range of cuisines, including the emerging "modern Australian" style which blends various influences.

The Good Food Guide, a paperback guide to Sydney restaurents available in most bookstores, is a good critical guide for those wanting to explore food options, from casual bistros to top-class establishments. Around the inner-city, Chinatown offers a vast choice of Asian cuisines. Nearby is the Spanish section in Liverpool Street, while just a few blocks away is the latest restaurant mecca. Cockle Bay Wharf and Darling Harbour, a stylish, waterfront complex of restaurants and bars. Canberra's top restaurants generally observe high standards. They are dotted throughout the city, although there are concentrations around the city centre, Civic, and the Manuka area which is full of shops and cales. For the business traveller, Boathouse by the Laire, in Barton, Atlantic and Ottoman Cuisine, in Manuka, and the Oak Room in the Hyalt Hotel have all been praised for quality and ambience. There are many restaurants in and around Porth city centre, but the Northbridge area, a short text ride away, has become a centre for ethnic restaurants, creative bistros and late-night cales to suit all testes and

CANADA by Scott Morrison

Canada is best known for its rugged beauty and vast expanses, but several cities have earned reputations for their cosmopolitan flair. Toronto, the country's largest city and financial centre, boasts world-class accommodation, restaurants and cultural attractions at reasonable prices for those travelling from the US, Japan or the UK. Vancouver is Canada's gateway to Asia and serves as a base from which to enjoy the country's natural beauty. It also offers visitors the enjoyment of first class accommodation and dining, though in a more relaxed

Visitors from the European Union, the US, Japan and many Commonwealth countries do not require visas.

Canada's main cities are well served by numerous international airlines, including British Airways and leading US carriers. Canadian Airlines offers extensive service to US and Asian destinations, while Air Canada has a strong presence on routes to the US and Europe. Cross-border traffic between Canada and US cities has increased dramatically since the two countries signed an open skies agreement several years ago. The two main Canadian carriers also offer a large schedule of domestic flights to secondary destinations.

Local transport

Taxis are widely available in all cities, although residents of the bigger ones generally rely on safe, clean and efficient rapid transit systems. Visitors on an extended stay who want to get around with ease might consider renting a car, given that drivers are generally quite conscientious and roads and highways are well marked. Intercity buses and trains ar avoided due to the long distances between

Hotels

Toronto offers a wide variety of luxury accommodations, including the venerable Royal York Hotel in the heart of the city. Other preferred destinations include the omate King Edward Hotel and the modern Four Seasons, a favourite among visiting celebrities due to its location in the trendy Yorkville shopping district. Vancouver's top spots are the regal Hotel Vancouver and the dignified Hotel Georgia, both near the financial district, as well as the Pan Pacific, with a view of Coal Harbour and the Coast Mountains. Both cities offer a number of more

moderately-priced hotels. **Eating out**

Restaurants in the main cities offer a wide variety of international cuisine. Cance and Far Niente are favourites among Toronto's financial community, while diners are increasingly drawn to restaurants in the recentlydeveloped entertainment district, just west of the downtown core, Dinner atop Toronto's CN Tower, degree view, is a pricey but memorable experience. Visitors to Vancouver should make time for C. regarded as the city's best seafood restaurant, and the Rain City Grill, a veritable landmark featuring west coast cuisine and a view of English Toronto's CN Tower, with restaurant at the top

SOUTH AFRICA by Victor Mallet

South Africa is by far the biggest economy in sub-Saharan Africa, and boasts a sophisticated transport, telecommunications and banking infrastructure. Business habits are broadly similar to those in Europe or the US, although South African companies - after years of quasi-isolation during the apartheid era - are still catching up with international standards in everything from accounting and corporate governance to levels of service and quality control. Alongside what is essentially a first-world economy, however, are third-world problems of poverty and crime. Visitors should be aware of the dangers, but not unduly nervous.

Citizens of most major industrialised countries do not need to obtain entry visas

South Africa is well served by the big international airlines, and there are frequent direct flights to and from London by British Airways, South African Airways and Virgin. Johannesburg is the main port of entry, with Cape Town and Durban being two of the other busiest airports. South Africa is a vast country - it is 1,450km from Johannesburg to Cape Town - and most business trips within the country are by air. Domestic carriers include BA (operated by Comair), SAA, Sabena and

Local transport

Hiring a car through one of the well-known international networks is quick, efficient and reasonably priced, but drivers should be constantly on the alert because standards of driving are poor. Most first-time visitors will have been regaled with horrifying tales of car-hijacking and armed robbery. Just be cautious, especially in Johannesburg and the surrounding area: lock car doors at all times (even while driving) and keep valuables, including mobile

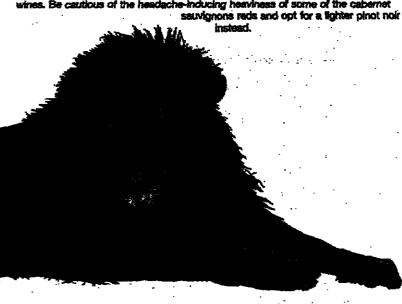
telephones, out of sight; be particularly careful at intersections, but do not worry about the hawkers who will try to sell you everything from newspapers to coat-hangers. A in case you break

Trains, buses and minibus-taxis are also in good supply.

Hotels

Modern, efficient establishments - including Hilton, Holiday Inn and Intercontinental - are represented in cities such as Johannesburg and Cape Town. Prices in the Cape have risen sharply in recent years because of a rapid increase in the number of tourists and a shortage of hotel rooms, but several new premises have been, or are about to be, completed.

The fare can be stodgy and dull in rural areas and small towns, but there are plenty of excellent restaurants in the big cities - and they will seem extraordinarily cheep to those paying in foreign currency. Try some South African specialities ostrich, springbok, local crayfish, oysters or Cape Malay dishes such as bobotie (a spicy tamb dish not unlike shepherd's pie, but somewhat sweeter). Bewere of a tendency to smother delicious, fresh ingrecilents in a flood of melted cheese. And do not leave the country without sampling the ever-expending variety of Cape wines. Be cautious of the headache-inducing heaviness of some of the cabernet



NEW ZEALAND by Terry Hall

New Zealand is revitalising its once bucolic image of a country largely populated by sheep. A roll call of the world's wealthiest busines have booked berths for their luxury boats to watch the America's Cup yacht races in Auckland later this year, and many are expected to take side trips to luxury resorts in New Zealand and the Pacific to be among the first in the world to watch the sun rise on the new millennium.

Visas

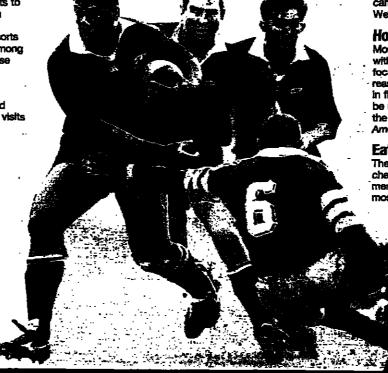
Nationals of western Europe, the US and south-east Asia do not require visas for visits of up to three months.

Airlines

Auckland is the main gateway, but Wellington, Christchurch and the alpine resort of Queenstown in South Island, which offers everything from winter skiing and year-round bungy jumping and white water rafting, also have mational airports. Air New Zealand and Ansett, plus a network of smaller airlines service tourist and other

Local transport

Taxis are plentiful at airports, with a charge of around \$NZ15 to NZ\$20 to the nearest town. Shuttle buses are available at half these rates. Rental cars motorised caravans for tourists are a popular option. Rail buffs often choose to travel by



train and inter-island ferry . . . a more relaxing, if time-consuming, option and surprisingly popular with business travellers with time to spare. It can take 11 hours by train from Auckland to Wellington, compared with 50 minutes by air.

Hotels

Most international hotel chains are represented, with those in Auckland and Wellington most focused on the business traveller. Prices are reasonable, and little difficulty should be found in finding a room, However, Auckland hotels will be under intense pressure later this year when the city hosts the Apec conference and the Americas Cup.

Eating out

There has been something of a revolution, with chefs experimenting with new cuisine and menus focusing on top local wines. One of the most popular is the restaurant at Te Papa, the new national museum in Wellington. Vineyards on the outskirts of

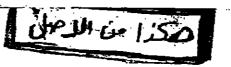
Auckland, Wellington, Christchurch, and Queenstown, as well in the better-known grape-growing districts of Mariborough, Nelson and Hawkes Bay offer the chance to dine and enjoy award-winning wines among the vines. Immigration, from Asia, Latin America and southern Europe has led to a host of new cafes and restaurants which offer good

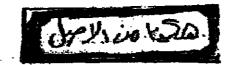
The promised landing.

SL7VAL7N.Z

16 scheduled flights a week to Tel Aviv from Heathrow-Stansted-Manchester. From £773 return. Call 01719574100 or visit www.elal.com line 128 tax. From April 1st, the new UK passanger service charge will be added.







correspondents offer suggestions to travellers who have some spare time to explore their host country

Majesty on ice, but beware hugs

Canada's frozen north has few human inhabitants, but it is rich in beauty from the animal kingdom. Scott Morrison reports

The beaver may rightly be average weight is 600kg, ven- by a team of husky dogs. but foreign visitors searching for the quintessential Canadian wilderness experience have shown a much greater willingness to brave chilly temperatures to see the majestic polar bear tram-

ple across the frozen tundra an experience reserved for only the most hardy and intrepid of travellers, viewing polar bear has become a booming cottage industry in several communities in Canada's far north. Last year about 10,000 people braved chilly weather to make the journey to Churchill, an outpost on the western edge of Hudson's Bay, and to Wager Bay, farther to the north.

The bears' seasonal natterns are the key determinant when choosing a viewing location. Visitors will likely spot polar bears near Wager Bay, in the Northwest Territories, during mid-summer, while the bears are a frequent sight around Churchill, Manitoba, in late

Every year during October and November some 300 bears congregate at Cape Churchill, some 25 kilowait until Hudson's Bay freezes over. Once ice has

Canada's national symbol, ture onto ice floes to hunt seals. But during a brief period of several weeks, visitors can observe the bears on shore and at close range from the safety of a "tundra buggy," a specially-designed all-terrain vehicle. Polar bears are quite

unpredictable, and potentially very dangerous, for they have no natural enemies and thus no fear. But the polar bears of Cape Churchill have become accustomed to the vehicles and do not act aggressively toward intruders, although they may move in for a close

One Churchill resident says some bears rear up on their hind legs to peer inside the tundra buggy's windows, putting passengers eye-toeye with the "lords of the

While polar bears are the highlight of any autumn stay in Churchill, visitors can also enjoy a number of other unique experiences. The Eskimo Museum boasts one of the finest collections of Inuit sculptures from the Hudson's Bay communities. Those curious to experience what it was like to get around the Canadian arctic before snowmobiles made their debut may want to

Tourists in Churchill can also marvel at the Aurora Borealis, or northern lights. The bands of shimmering light glowing across the northern skies can be seen from the Tundra Domes, an indoor facility that provides comfortable views from a plexigless seating area

A number of tour groups organise five-day bear-watching excursions to Churchill, although individuals can make shorter and less expensive trips by booking their own transportation and accommodation. Information can be obtained through Manitoba's tourism bureau. A typical Wager Bay

excursion is longer and more expensive, simply because it is more remote and further north than Churchill. Independent travel to the region is very expensive and difficult to arrange, so guided tours are the best

One of the various travel groups offering package deals is Quest Nature Tours, which runs a nine-day trip to Wager Bay, a 150-km tidal inlet surrounded by rugged tundra scenery and home to the largest polar bear den-ning area. Organisers take guests on hikes and boat rides to seek out polar bears, like to spend summer. Boris



and looms

Tour members stav at Sila Lodge, a rustic yet comfortable wooden lodge open during the brief summer season. The lodge is the only structure standing along Wager Bay, which was abandoned several decades ago when Inuit residents relocated to larger northern communities. The lodge is owned and operated by friendly inuit, who extend hospitality. replete with stories about

their culture and history. The highlight of these tours are the boat trips along the southern shore of the bay, where polar bears lodge's owners, says it is common to spot female bears caring for their newborn cubs or hunting for seals from ice floes. Inuit guides also take guests to Boat On the other hand, the Cove, an area rich in Inuit

archaeological sites, and to see the wooden remains of a Hudson's Bay Company trading post that was abandoned to Wager Bay. in the 1950s. While trips to Wager Bay

cost as much as C\$3,800, the destination offers some advantages. The region is more remote than Churchill and thus features a greater variety of wildlife. And as visitors are spirited around in boats, rather than massive tundra buggies, the bearded seals, arctic wolves, Kotelewetz, one of the experience is more genuine.

Furthermore, Wager Bay's summer season enables guests to take full advantage of the region's 24-hour sun-

northern lights are not visible during this period and visitors might find it difficult to make time for a trip

Churchill and Wager Bay offer visitors two windows of opportunity, each with their own advantages, to see Canada's majestic "lords of the arctic". But tourism sources say that polar bear aficionados must reserve their trip early because flights and accommodation are usually booked to capacity during

easy drive from Sydney. Car

rentals cost from A\$60 a day.

But whether it's France or

Australia, mixing drinking

and driving can pose prob-

lems - particularly in Aus-

tralia, where drink-drive

laws are strict. One option is

an organised day tour or

overnight package, offered

by many companies at costs

ranging from A\$60 for trans

port only to comprehensive

programmes with luxury

accommodation, wine tast-

ings and gourmet diving. An

alternative is to hire your

own car and driver for a

comfortable day trip costing

For the business traveller,

Cypress Lakes Resort and

Kirkton Park Country House

offer sports facilities, quality

restaurants and conference

facilities. For a more inti-

mate atmosphere, Pepper's

Guest House, The Convent

and The Carriages are peri-

around A\$500.

Fine for Drake, and plenty of visitors since

Victor Mailet explores the beauty and history of South Africa's Cape peninsula

the southern tip of Africa with the wind trying to tag your hair out by the roots. Facing south from these high cliffs you know that nothing lies between you and the Antarctic except the cold and stormy south Atlantic ocean. You might even see a whale in the waves

A magnificent image, but wrong on two counts. First, you are not at the southernmost point of the continent: that honour belongs to the rather low, featureless promontory of Cape Agulhas about 160km to the southeast. The second problem is the Cape of Good Hope, but at the steeper and more

the lighthouse is. Do not despair. For natural beauty and historical interest, the Cape peninsula and particularly the erve at the tip ~ is probably South Africa's most rewarding tourist destination for those seeking something other than a

safari to look at lions and

elephants. Cape Town and

impressive Cape Point where

the adjoining peninsula are an easy weekend trip - a two-hour flight each way -Johannesburg.

most southerly in Africa, but it is certainly the corner, the dramatic turning point that the Portuguese explorers Bartolemeu Dias (there is a monument to him in the reserve) and Vasco da Gama were looking for when they were hunting for the sea route from Europe to India in the 15th century.

Dias, thinking of the weather, called it the Cape of Storms, and it was his public relations-minded backer, King João II of Portugal, who imposed the name Good Hope. Nearly a century later, Francis Drake immortalised the beauty of the place, calling it "a most stately thing. and the fairest cape we saw in the whole circumference of the earth".

Cape Town, overshadowed by Table Mountain, and the Cape itself are surely the most memorable places in South Africa, not just because of their craggy landscapes and many shipwrecks but also because it was here that the country's troubled and racially-divided modern era bezan. It was in Cape Town that

Jan van Riebeeck arrived in 1652 to establish a staging post for the Dutch East India

There is something Company, that Cecil Rhodes magnificent about standing dreamed of the expansion of on the Cape of Good Hope at the British empire (there is a statue of him near the city centre, pointing north, bearing the inscription "Your hinterland is there, and that the National party used its parliamentary majority to establish apartheid with a series of racial laws after

Today, however, Cape Town is as racially mixed as anywhere in the country.

Visitors with only a day or two to spare should hire a car and visit the peninsula in a loop, going down one side and returning the other. Driving from Cape Town towards the False Bay side to the east you pass the magcal gardens on the slopes of Table Mountain before reaching the coast.

A winding seaside road then takes you past the quaint English atmosphere of St James, the old-fashioned fishing harbour of Kalk Bay (where seals swim among the wooden boats), the naval base at Simon's Town, and to Boulders, a beach where tourists share the sand and surf with hundreds of apparently fearless Jackass penguins.

The return route to Cape Town via the clifftop Chapman's Peak Drive is particu larly spectacular at sunset, and takes you past Hout Bay, Camps Bay and to the French Riviera-style coastal residences of Clifton on the

edge of the city.

From either Boulders or Hout Bay it is a short drive to the nature reserve and the two Capes. At the height of the tourist season in the southern hemisphere sum-February - the car park at Cape Point is likely to be crowded with coaches and cars. But before you reach it there are several side roads leading to beaches and walks: a few hundred metres on foot and you will find yourself alone with zebras, ravens and orange-breasted sunbirds in a windswept landscape of rocks, bushes

You can, furthermore, get to stand on the Cape of Good Hope after all. There is a that takes you across the cliffs to the real thing lower than Cape Point, but just as beautiful. On a good day, you can see dolphins surfing in the ocean swell below. And you can look out over the sea and say to yourself that you are at one of the world's most important

and wild flowers.

Hunters wear pride on their labels

Gwen Robinson and Peter Montagnon take a day out to sample the pleasures of Australia's oldest wine-growing region

For those who envisage architecture, from the banal rolling green hills, picturesque chateaux and rustic 19th-century town hall or hamlets when they think of wine-tasting tours, a brief excursion to the Hunter Valley, Australia's oldest winegrowing region, can be as

the wine-growing heart of track, visitors can choose "the Hunter", as locals call from Aussie-style country it, is lined with eucalyptus or gum trees and native charming boutique hotels, bushland. In the background are the craggy Brokenback, hunget motels, and self-con-mountains. You might even taking wiles. spot a kangaroo. The region's towns and settlements - with names including Kurri Kurri, Wollombi, Abernethy and Branxton reflect a fascinating blend of colonial convict past, the local coal mining economy, and native Australian tradi-

The diversity of influences and visitor profiles - can also be seen in the local

DUTY FREE by Roger Bray

to the elegant. A graceful quaint antique shop might nestle next to a slick supermarket or gaudy motel. This Tourism has developed diversity extends to accommodation choices. From the towns, with their broad main streets, to discreet set-

tlements well off the beaten pubs with wide balconies to sprawling five-ster resorts, The region's popularity If wine is not your priority, there are also destina-

such as the mountain retreat of Barrington Tops or The wine enthusiast, however, is advised to stay within the main Hunter wine region. If you do not

want to drive, you can join a

day-tour around the numer-

ous estates for cellar-door

tions beyond wine country,

tastings and end the day with a game of golf and a fine meal at one of the many top quality restaurants. Visitors with other interests, meanwhile, can go bushwalking, horse riding, ballooning or foraging for antiques in the area's many small shops.

into a massive industry in mated 3.5m visitors a year. Christopher Brown, president of the Hunter Valley Vineyard Association, says the "touristy" image is both an advantage and a disadvantage serious Vintners prefer visitors who are senous about wine.

with local and foreign visi-tors owes much to its proximity to Sydney - just a twohour sdrive away. But Ber, it is also one of the main wine producing areas, and our estates, with cellar-door tastings and sales, zare serious businesses," says Mr Brown. in the 1980s and 1970s. Hunter Valley produce was

at the cutting edge of Aus-

try. Today, the Hunter is the old lady of a booming export industry: still flercely proud of its traditions, but acutely aware of the rise of younger competitors, including the Margaret River region in Western Australia, South Australia's new wine regions, and the Mudgee and Cowra areas in central New

tralia's nascent wine indus-

South Wales. integral part of an outstand- 10,000 cases a year, can ing Australian success story, but sound a trifle defensive about charges that the region has been seduced by Lately, however, the

Hunter has seen a new breed young winemakers with fresh enthusiasm and great as, says Huon Hooke, a prominent Australian wine critic. "Some of them augment their range with wine from other regions, but they are primarily Hunter winemakers intent on proving it is still a great wine region, he says, "Australian wines are very much flavour of the month - there's no doubt.

we are giving the French a nudge...and the Hunter Valley can boast some unique styles," says Patrick Auld, of Southcorp Wines. Some small winemakers, such as the Scarborough

family at Scarborough Wines

in Pokolbin, devote themselves to doing what they know they do best. The Scarboroughs produce high-quality chardonnay, and began Hunter winemakers exporting just a few years express pride at being an ago. Their output, about barely meet demand. Like many Hunter winemakers. they run a small, quality restaurant and a cellar door operation at their winery.

In keeping with the Hunter's "good living" image, many of its restaurants are highly rated. Some of these, including Cellar Restaurant at McGuigan Hunter Village and Blaxland Restaurant. operate in conjunction with cellar door operations. Other recommendations including Chez Pok, The Hermitage, Mulligan's Brasserie, Pipette and Robert's, are at hotels and guest houses

The Hunter region is an

od-style guest houses. There is also a wide choice of hotels, motels and B&Rs. More information: Wine Country Visitor Information, tel (+61 2) 4990-4477; email, info@winecountry.com.au

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It's pure Scandinaviai

It may be goodbye perk, hello confusion

Campaigners are still attempting to at least delay abolition of cheap shopping for travellers within the EU

tax concession, there is no logical defence for it. But when Robin Cook, the UK foreign secretary, suggested British voters were probably more exercised about the threatened abolition of duty-free than about the whole vexed question of the single European currency, he had a point.

Sales of duty- and tax-free goods in Europe are now worth 14.5bn a year. The revenue they produce helps to hold down air and ferry fares, and the business employs more than 140,000 Amsterdam's neonle. Schiphol sirport siene expects to loss El 180m guilders in revenues in 2000, 40 per cent of all its income from duty- and tax free sales. and warns it may have to shed no to 400 lobs.

The likely impact on fares less clear cut. A recent Mori survey of UK basiness ravellers on behalf of Wagonlit, the Carlson travel agency hain, found that those who pelieved they would increase within Europe and those who felt abolition would have no effect were evenly split at 41 per cent for each

A relatively cheap bottle of short-term effect will depend single malt whisky may on the health of economies seem scant reward for and strength of demand for suffering crowded airports travel - but ferry companies and flight delays and, as a say fares will have to rise. Passengers in the Baltic could be among those hardest hit, and companies open ating routes between Britain and mainland Europe say they will have to earn around 20 per cent more from ticket prices to com-

> The effect on scheduled airlines may be less dramatic but will depend largely on the response of airport managers.

> These were not the only reasons why the recent agreement by EU ministers to review their long-standing plan to banish such sales from next July was greeted with widespread acclaim, however. Campaigners bent on reversing the decision say much more time is needed to work out how duty and taxes will be applied to sales on aircraft and ferries.

> The London-based Duty-Pree Confederation, which is dedicated to delaying - or killing off - the threatened ban, rejects the thesis that national exchequers are losing revenue by allowing affluent international travellers to avoid tax on alcoholic drink and other goods.

Barry Goddard, the organisation's secretary-general. to an estimate that

only about 29 per cent of all the money spent on EU dutyand tax-free purchases would have been spent on equivalent goods in retail But the reality is that the

impact of abolition on tax revenues would be broadly neutral. In the UK, for example, it is reckoned the Treesury comes out around £18m ahead while duty-free survives - but that is small change in tax terms, and the margin for error is too narrow to be reliable. The case against repriev-

ing duty-free is that it makes little sense to perpetuate a tax break for those who can afford to travel at the expense of those who cannot. It is weakened by the continued reluctance of EU members to harmonise taxes. Even after abolition, consumers would still be able to avoid tax in their own countries by purchasing goods at lower tariffs in other countries.

A significant number of UK business travellers clearly accept this argument. The Mori survey found 8 per cent "strongly support" abolition and a further 7 per cent "ten" to support it. That compared with 29 per cent and 14 per cent respectively

in favour of retention. Casual followers of events may be confused, for news bulletins frequently omit to



point out that the axe is at the rate imposed by the poised only over duty- and tax-free sales to passengers country where they are loaded on to the ship or airtravelling between EU councraft. But if they are subse tries: they will still be availquently sold in another able to travellers heading to country's waters or airspace or from other destinations. they are subject to that UK operators would be country's tax - and the operator has to reclaim the easily the biggest losers, say-

At their recent Vienna

posal by the end of March

which could allow sufficient

time to devise workable

alternatives. Noting that

Britain has suggested a five-

year stay of execution so

that workable alternatives

can be put in place, Mr God-

dard says: "We need at least

ing goodbye to sales worth amount paid at the point of around \$1.6bn Finland and But the amount of duty Denmark would be next, lospayable will be that imposed ing \$728m and \$548m respecby the country in whose air-Perhans surprisingly, alcospace or waters the goods holic drink does not invariare sold. Theoretically, therefore, total prices could change four times during a

ably make up the lion's share of sales. In Finland (44.9 per cent) and Sweden return ferry crossing between the UK and France (85.9 per cent) it is far and and any number of times away the biggest earner, but in Germany, Austria, Belon a long-haul flight across gium, Greece, Italy, Luxemseveral EU countries. bourg, the Netherlands, Spain and Portugal, travelsummit, EU heads of governlers spend more on frament asked the Commission grances and cosmetics. to come up with a new pro-

against abolition has been the prospect of confusion when airlines and other operators start adding duty and tax to prices previously free of them.

A key weapon in the fight

The European Commission bas ruled that all goods will

There are times when it's best to say 'no'

Sarah Murray meets an IT consultant who is well versed in the art of avoiding trouble on his worldwide treks

As someone who often finds room number. "The guy left himself in countries on the and I never heard anything US State Department's "no-go" list, David Drinkard, when, on a trip to Nigeria, a sales and technical training

"I looked through the shoulders," he says. "This was a big guy ... if he'd he is rarely deterred by wanted to, he could have easily knocked down the

Despite the man's claim that he was a driver, ready to take him to the airport, Mr Drinkard left his door firmly locked. He was, after all, in a country beset by violent crime where both locals and foreigners have been known to disappear without trace. And he had not booked a driver.

again," he says.

Mr Drinkard - an IT was only a little perturbed consultant who carries out loud knock sounded on the door of his Lages hotel room. all over the world - is on the ball as far as security goes. Often obliged to travel in the more hazardous parts of South America and Africa, bleak reports about danger hot-spots. "Business still goes on in these places, despite their reputations,"

he says. While incidents cannot always be avoided, there are ways of reducing the chances of them happening. "The biggest security risk for a lot of people is when they're in a hurry," he says. "If you're in a rush there's a greater likelihood you will have to pay a bribe. It's all the wrong room and about taking your time and

handle difficult situations." Having a local business partner can help. "When I went to Lagos the rules were explained to me very carefully by my local partner," he says. "He told me never to leave the airport with anyone unless they present a card from the

company. Another rule - one of Mr Drinkard's own - is to have letters of invitation, details of his local contacts and embassy phone numbers encephalitis, either memorised or in a jacket pocket, so if luggage goes missing or no one turns up to meet him at the airport he can get hold of his local partners. "Again, common sense

prevails. Having names and all times is important, and don't have more money on you than you can afford to

For someone who has lived out of a suitcase for explained that he would call not being flustered. Being aspect of overseas travel you have a cola or a heer than a Football is one way he lost, in case the crowd hotel security to check the calm is the best way to really must address if you're soft drink in a dirty glass. does this, "When I went to a blamed the gringo. But when

going outside Europe and North America," Mr Drinkard says.

He is certainly not neglecting his duties in this respect. "My doctor in the US looked at my immunisation card and said I was better inoculated than "I only have to hear the names of the diseases and I want the doctor to jab me at once." He cites Vietnam as an example. "Japanese spinal meningitis, polio, typhoid -

Describing himself as a "walking pharmacy", Mr is to stay clean." Drinkard explains that as well keeping inoculations up to date and travelling with a phone numbers with you at supply of emergency to the wind when it comes to medicines, he takes a number of other precautions. "I always drink bottled

water. In some countries they fake the seal on the cap, so I'm always careful several years, maintaining about that. I don't put ice in health is important. "It's one any drinks and I'd rather



Help that is appreciated: David Drinkard finds his way around Hanoi with a

Boca Juniors match in The best way to stay bealthy Buenos Aires, the locals I was training couldn't believe But while Mr Drinkard can it," he says. "I mean, if Boca

be a cautious traveller, be throws some of this caution getting to know the country in which he's doing business. A gregarious nature, a desire to learn about the world and bags of energy means he immerses himself into the local culture wherever he goes.

the next day I told my match, they thought I was It is these kind

Juniors played in New York experiences that sustain Mr they'd be playing in the Drinkard through Bronx so no one wanted to gruelling schedule which come with me. I was quite takes him to some 18 an oddity among my seat mates. But it was brilliant -"For me, business travel is a no scoreboards, no music, no cheerleaders. It was pure chance to learn and that's why I do it." he says. "And if I look on a place as if I'm "I left when Boca Juniors living there - even if its only for a couple of weeks

But if football matches

so do a couple of items Army knife, tablets and syringes, he deems essential: "I always travel with my player and a few CDs. Many a rough day has been gotter though with some good music, a Cuban cigar and a



I get thrills without all those frills

Gillian Upton catches up with a busy trips to some of his favourite cities

The one thing Martin Sexton does not complain about is travelling. "I love it." he says. "It's a very privileged life. I'm a geography graduate, and I haven't got it out of my system."

Mr Sexton's schedule takes him once or twice a week from the UK into continental Europe and once a month to the US in his role as vice-president corporate communications for Unisys, the US-based information technology-based solutions combany.

He is currently travelling more than usual as a member of the nine-strong taskforce managing a company repositioning and rebranding exercise. Trips to company headquarters in Philadelphia, and also to New York, are now more commonplace. And not for him the luxury of a business class seat; all his travel is at the back of the aircraft.

British Airways is his preferred airline to Philadelphia because of its direct service...but in using BA he is being allowed to break with company policy. Unisys, he says, believes the airline's prices are not competitive.

Within the US he flies with United, which he likes for its seat-back TV in Boeing 767s and good legroom. Within Europe he flies British Midland when possible. Mr Sexton follows a strict

routine on long-haul flights. and this may help him escape the horrors of jetlag. He eschews alcoholic drinks and food, changes his watch to local time as soon as he boards the aircraft, and spends his time catching up on reading or writing

"I turn up at check-in at the last minute, take only carry-on luggage, and work," he says. "On the way back I've got it down to a fine art. gin Atlantic has been operat-I get stuck into a window seat in economy class, put on some eyeshades, pull the blanket around my neck and usually manage to wake up free drinks, extra legroom when we're about to descend into London."

"The [extra] space in busi-ness class is a big 'con' trick, says Mr Sexton. "Once you're asleep you don't need space." But he does admit that he's lucky in being able to sleep easily at 80,000ft.

Company travel policy dictates choice of hotels. Mr Sexton's continental European trips are for meet-

ings with staff, local press, country managers and reviews of advertising agencies, so hotels are chosen for proximity to local Unisys

He is pragmatic about staying in hotels: "They're somewhere to put your head down. Regular travellers don't get taken in by all the frills."

Mr Sexton's real enthusiasm for travel is the cities be is able to visit. In Europe his favourite city is Vienna. I spent three years there, and it's the most wonderful city," he says. "It has everything: a good climate with distinct seasons, cold and crisp in winter and warm and sunny in summer. And it's the centre of Europe 80 you can drive to a ski resort at the weekend or to Prague Budapest, Salzburg or War saw. I'm deeply in love with the city."

When travelling he keeps in touch with his office by mobile phone. "Laptop PCs are too heavy to carry," he down by working out of Unisys offices rather than using hotel husiness centres or telephones. Despite these efforts, however, the downside to life on the road for him is returning to the office. "Then you face the real mail, having dealt with only e-mail while you're

Mr Sexton feels his travel ling life would be improved immeasurably, if airlines could tackle the problem of long waits for luggage. He would also like to see

more airlines introduce 2 full-fare economy class cabin section so he did not have to sit next to backpackers. Viring a special cabin for fullfare economy class passan gers for six years. Called Premium Economy, if offers and free newspapers and

"I don't plan ahead beyond a couple of weeks so I can't get Apex fares, but if I've paid full fare economy then I should be treated differently. perhaps with a little bit of

